

THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY ARE IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended (“FSMA”) if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in Elementis plc (“**Elementis**” or the “**Company**” and together with its subsidiary undertakings, the “**Elementis Group**”), please send this document (the “**Circular**”), together with the accompanying form of proxy (the “**Form of Proxy**”), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

Persons into whose possession this Circular comes should inform themselves about, and observe, any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this Circular. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular is a circular relating to the Acquisition which has been prepared in accordance with the Listing Rules and approved by the UK Financial Conduct Authority (the “**FCA**”). This Circular is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase or subscribe for, any securities, including any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares or take up any entitlements to be issued in connection with the proposed Rights Issue.



ELEMENTIS PLC

(Incorporated and registered in England and Wales with registered number 03299608)

Proposed Acquisition of Mondo

Circular to Shareholders and Notice of General Meeting

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 10 to 20 of Part I (*Letter from the Chairman*) of this Circular and which contains a recommendation that you vote in favour of the resolution to be proposed at the General Meeting referred to below. Your attention is also drawn to the risk factors set out on pages 21 to 30 of Part II (*Risk Factors*).

Notice of the general meeting of Elementis to be held at 10.00 a.m. on 3 October 2018 at The Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX (the “**General Meeting**”) is set out at the end of this Circular (the “**Notice of General Meeting**”). The Form of Proxy for use at this General Meeting is enclosed. To be valid, the Form of Proxy, should be completed, signed and returned in accordance with the instructions printed thereon and the Notice of General Meeting so as to be received in the case of a Shareholder on the UK Register by Equiniti Limited (“**Equiniti**” or the “**Registrar**”), at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Holders of Ordinary Shares (the “**Shareholders**”) are advised to read the Prospectus which contains information relating to the New Ordinary Shares. The Prospectus will be available on the Company’s website.

If you have any questions about this Circular, the General Meeting or the completion and return of the Proxy Form, please contact the UK Registrar between 8.30 a.m. and 5.30 p.m. (London Time) Monday to Friday (excluding public holidays in England and Wales) on 0371 384 2785 (from the United Kingdom), or +44 121 415 0815 (from outside the United Kingdom, international rates apply). Please

note that calls may be monitored or recorded and the Registrars cannot provide financial, legal or tax advice on the merits of the Acquisition. Different charges may apply to calls from mobile telephones.

UBS Limited (“**UBS**”) and HSBC Bank plc (“**HSBC**”), each of which is authorised by the Prudential Regulatory Authority (the “**PRA**”) and regulated in the United Kingdom by the PRA and the FCA, are each acting exclusively for the Company and no one else in connection with the arrangements described in this Circular and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the arrangements described in this Circular and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the arrangements referred to in this Circular.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, UBS and HSBC accept no responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this Circular, including its accuracy, completeness, fairness or ratification or regarding the legality of any investment in the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Rights Issue or the Acquisition. To the fullest extent permissible, UBS and HSBC and their respective subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract or otherwise (save as referred to above) in respect of this Circular or any such statement or otherwise.

Notice to all Shareholders

Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the Resolution is prohibited.

No person has been authorised to give any information or make any representations other than those contained in this Circular or incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by Elementis. Elementis does not take any responsibility for, and can provide no assurance as to the reliability of, other information that you may be given. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of the Elementis Group or the Mondo Group since the date of this Circular or that the information in this Circular is correct as at any time after its date.

The contents of this Circular should not be construed as legal, business or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice, respectively.

Notice to overseas Shareholders

This Circular is not an offer of securities for sale in the United States and there will be no public offer of securities in the United States. The securities discussed in this Circular have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Neither the US Securities and Exchange Commission (the “**SEC**”), nor any securities regulatory authority of any state of the United States, has approved the Nil Paid Rights, Fully Paid Rights, the Provisional Allotment Letters, New Ordinary Shares or passed upon the adequacy or accuracy of this Circular. Any representation to the contrary is a criminal offence in the United States.

Distribution of this Circular by any recipient may be restricted or prohibited by US law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions.

This Circular is dated 11 September 2018.

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IMPORTANT INFORMATION

1. Forward-looking statements

This document includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this document, including, without limitation, those regarding the Elementis Group's and/or the Mondo Group's intentions, beliefs or current expectations concerning, among other things, their future financial condition, leverage and performance and results of operations (including revenue growth); their strategy, plans, objectives, prospects, growth, dividend growth, goals and targets; the anticipated benefits of cost and revenue synergies; cost reductions, efficiency improvements or savings; future developments in the industry and markets in which the Elementis Group and/or the Mondo Group participate or are seeking to participate; gains with new or existing customers; growth from new products or product innovation; and anticipated regulatory changes in the industry and markets in which the Elementis Group and the Mondo Group operate. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "aspire", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "project", "should" or "will" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Shareholders are cautioned that forward-looking statements are not guarantees of future performance and that the Elementis Group's, the Mondo Group's and, following Completion, the Enlarged Group's actual financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, may differ materially from the impression created by the forward-looking statements contained in this Circular. In addition, even if their financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this Circular, those results or developments may not be indicative of results or developments in subsequent periods.

Forward-looking statements should, therefore, be construed in light of the foregoing risk factors and the other factors identified in Part II (*Risk Factors*). Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made as at the date of this Circular and are not intended to give any assurance as to future results. Elementis will update this Circular as required by applicable law, including the Listing Rules, the Prospectus Rules, the Market Abuse Regulation (596/2014/EU) and the Disclosure Guidance and Transparency Rules, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. Shareholders are advised to read this Circular and the information incorporated by reference into this Circular in their entirety, and, in particular, Part I (*Letter from the Chairman*) and Part II (*Risk Factors*). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Circular and/or the information incorporated by reference into this Circular may or may not occur. Shareholders should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital.

2. Market and industry data

Certain information in this Circular has been sourced from third parties. Where information in this Circular has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this Circular which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this Circular consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

References to market share are the Elementis Group's estimates based on the latest available data from a number of internal and external sources.

Market data and statistics are inherently speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that: the markets may be defined differently; the underlying information may be gathered by different methods; and different assumptions may be applied in compiling the data. Accordingly, the market statistics included in this Circular should be viewed with caution.

3. Sources and presentation of financial information

3.1 Sources and presentation of Elementis Group financial information

Unless otherwise indicated, the financial information relating to the Elementis Group as at 30 June 2018 and for the six months ended 30 June 2018 and 2017 included in this Circular has been extracted without material adjustment from the unaudited consolidated interim financial statements of the Elementis Group for the six months ended 30 June 2018 and the financial information as at and for the years ended 31 December 2017, 2016 and 2015 included in this Circular has been extracted without material adjustment from the audited consolidated financial statements of the Elementis Group for the years ended 31 December 2017 and 2016.

The historical consolidated financial information of the Elementis Group has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

This Circular also includes certain forward-looking statements relating to financial information which are based on management estimates and assumptions.

IFRS 9 (*Financial Instruments*) and IFRS 15 (*Revenue from Contracts with Customers*) have been implemented by the Elementis Group from 1 January 2018. The historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 have not been restated to apply these standards retrospectively.

3.2 Sources and presentation of Mondo Group financial information

Unless otherwise indicated, the unaudited historical condensed consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 and the audited historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 incorporated by reference into this Circular has been extracted without material adjustment from the consolidated financial statements of the Mondo Group which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*) of the Prospectus.

The condensed unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 has been prepared in accordance with IAS 34 (*Interim Financial Statements*). The audited historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared in accordance with IFRS.

The unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 has been prepared in a manner consistent with the accounting policies adopted by Elementis in preparing the financial information relating to the Elementis Group as at and for the six months ended 30 June 2018, and the audited historical consolidated financial information relating to the Mondo Group as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared in a manner consistent with the accounting policies adopted by Elementis in preparing the financial information relating to the Elementis Group as at and for the year ended 31 December 2017.

This Circular also includes certain historical consolidated financial information relating to the Mondo Group as at dates prior to 1 January 2015 and for periods prior to the year ended 31 December 2015 which are based on unaudited management accounts of the Mondo Group.

3.3 Enlarged Group financial information

Following Completion, Mondo will be a subsidiary within the Elementis Group, and the accounting policies applied to the Mondo Group will be the same as those applied to the Elementis Group.

4. Pro forma financial information

In this Circular, any reference to “pro forma” financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in Part V (*Unaudited Pro Forma Financial Information relating to the Enlarged Group*).

The Unaudited Pro Forma Financial Information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Elementis Group, the Mondo Group or the Enlarged Group.

Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

5. Non-IFRS financial measures of the Elementis Group’s and the Mondo Group’s performance

This Circular contains certain non-IFRS financial measures of the Elementis Group’s and the Mondo Group’s financial performance that are not required by, or presented in accordance with, IFRS. Such non-IFRS measures are included because they are used by the Elementis Group and the Mondo Group to measure business performance and the Directors believe these or similar measures are widely used in the industry as a means of evaluating financial and operating performance.

The non-IFRS measures contained in this Circular should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the relevant non-IFRS measure presented by the Elementis Group or the Mondo Group may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the Elementis Group or the Mondo Group. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this Circular.

5.1 Non-IFRS financial measures of the Elementis Group

5.1.1 Return on operating capital employed

Return on operating capital employed is defined as adjusted operating profit divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions (which include self-insurance and environmental provisions but exclude retirement benefit obligations). These assets are included in operating capital employed because they are considered by management to be related to revenue generating activity.

The Elementis Group presents return on operating capital employed because management believes it is widely used by securities analysts, investors and other interested parties to evaluate profitability of capital intensive sectors. Return on operating capital employed aims to eliminate differences in performance caused by variations in capital structure due to significant debt. Internally, return on operating capital employed is used by management as an indicator of performance and as a performance target.

Return on operating capital employed has limitations as an analytical tool, including that it may be subjective in nature as it does not reflect all items included in the Elementis Group’s operating profit under IFRS.

5.2 Non-IFRS financial measures of the Mondo Group

5.2.1 EBIT and EBITDA

EBIT is defined as profit for the period less interest income, interest expenses and income tax benefit. EBITDA is defined as profit for the period less interest income, interest expenses, income tax benefit,

depreciation and amortisation. Management believes that EBITDA is widely used by securities analysts, investors and other parties to attempt to compare the performance of businesses without regard to interest, taxes, depreciation or amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred) or other non-operating factors (such as levels of indebtedness).

EBITDA has limitations as an analytical tool, including:

- it does not reflect the Mondo Group's cash expenditures or future requirements for capital expenditure under contractual commitments;
- it does not reflect changes in, or cash requirements for, the Mondo Group's working capital needs;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments in respect of borrowings;
- it does not reflect tax expense, or the cash requirements necessary to pay applicable taxes; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

5.2.2 Adjusted EBITDA

Adjusted EBITDA represents EBITDA adjusted for specific items that are considered by management to not be representative of the underlying performance of the Mondo Group. Adjusted EBITDA does not, however, reflect deductions, additions or other adjustments to historical items other than those stated, even if such items had a material effect on the Mondo Group's performance. Adjusted EBITDA is used by management to assess operating performance and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of operating cash flow.

As an analytical tool, adjusted EBITDA is subject to all of the limitations applicable to EBITDA (see "—EBITDA" above). Furthermore, while the individual elements of excluded costs are not expected to recur in future periods, the Mondo Group may incur other costs that could have a significant impact on the Mondo Group's performance in future periods.

The table below sets forth a reconciliation of EBIT, EBITDA and adjusted EBITDA to loss for the period for the periods indicated:

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Loss for the period	(3,803)	(11,146)	(16,287)	(11,012)	(13,628)
Income tax expense/(benefit)	(975)	338	(1,169)	(2,613)	(3,895)
Interest income	(1)	—	(1)	—	(1)
Interest expense	14,200	14,003	27,776	25,303	22,617
EBIT	9,421	3,195	10,319	11,678	5,093
Depreciation and amortisation	8,289	7,551	15,784	14,380	15,332
EBITDA	17,710	10,746	26,103	26,058	20,425
Other finance income ⁽¹⁾	(298)	(175)	(344)	(3,446)	(2,896)
Other finance expenses ⁽¹⁾	615	4,142	5,389	6,052	5,360
Costs associated with disposal of the business ⁽²⁾	1,120	—	—	—	—
Adjusted EBITDA	19,147	14,713	31,148	28,664	22,889

(1) Other finance income and other finance expenses costs not included in EBITDA. These are set forth in Note 7 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 and Note 8 to the interim financial statements of the Mondo Group for the six months ended 30 June 2018, incorporated into this Circular by reference as explained in paragraph 2 of Part VI (*Additional Information*).

(2) Costs incurred by the Mondo Group directly related to the sale of the business, including professional fees and management bonuses.

6. Rounding

Certain data in this Circular, including financial, statistical, and operating information, has been rounded. As a result of the rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

In addition, certain percentages presented in the tables in this Circular reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not confirm exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

7. Currency

Unless otherwise indicated, all references in this Circular to “sterling”, “pounds sterling”, “GBP”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom. The abbreviations “£m” or “£ million” represent millions of pounds sterling, and references to “pence” and “p” represent pence in pounds sterling. All references to “US dollars”, “dollar”, “\$”, “US\$” and “cents” are to the lawful currency of the United States. All references to “€” or “euros” are to the lawful currency of the European Union.

8. No profit forecast or estimates

Unless otherwise stated, no statement in this Circular is intended as a profit forecast or estimate for any period and no statement in this Circular should be interpreted to mean that earnings for Elementis or Mondo, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for Elementis or Mondo, as appropriate.

9. Incorporation by reference

Certain information in relation to the Elementis Group and the Mondo Group is incorporated by reference in this Circular, as set out in paragraph 2 of Part VI (*Additional Information*) of this Circular.

The contents of websites of the Elementis Group and the Mondo Group and any hyperlinks accessible from those websites do not form part of this Circular.

10. Definitions

Certain terms used in this Circular, including capitalised terms and certain technical and other terms, are defined and explained in Part VII (*Definitions*).

Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All references to time in this Circular are to the time in London, United Kingdom on the relevant date, unless otherwise stated. Each of the times and dates in the table below are indicative only and may be subject to change.

	<u>2018</u>
Announcement of the Acquisition	29 June
Publication and posting of this Circular, the Notice of General Meeting and the Form of Proxy	11 September
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 1 October
General Meeting	10.00 a.m. on 3 October
Expected date of Completion of the Acquisition	by no later than 23 October

RIGHTS ISSUE STATISTICS

Price per New Ordinary Share	152.0 pence
Basis of Rights Issue	1 New Ordinary Shares for every 4 Existing Ordinary Shares
Discount to the theoretical ex-Rights price based on the closing middle-market price of 252.8 pence per Ordinary Share on 10 September 2018 ..	34.7%
Number of Existing Ordinary Shares in issue at the date of this Circular ..	464,179,318
Number of New Ordinary Shares to be issued by the Company	116,044,829
Number of Ordinary Shares in issue immediately following completion of the Rights Issue ⁽¹⁾	580,224,147
New Ordinary Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽¹⁾ ..	20.0%

(1) Assuming that no Ordinary Shares are issued as a result of the exercise of any options between 7 September 2018, being the latest practicable date prior to the publication of this Circular (the “**Latest Practicable Date**”), and the completion of the Rights Issue.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Andrew Duff, Chairman Paul Waterman, CEO Ralph Hewins, CFO Nick Salmon, Senior Independent Director Sandra Boss, Non-Executive Director Dorothee Deuring, Non-Executive Director Steve Good, Non-Executive Director Anne Hyland, Non-Executive Director
Company Secretary	Laura Higgins
Registered office of the Company	Caroline House 55-57 High Holborn London WC1V 6DX United Kingdom
Financial adviser to the Company	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN United Kingdom
Joint Global Coordinator, Joint Bookrunner and Sole Sponsor	UBS Limited 5 Broadgate London EC2M 2QS United Kingdom
Joint Global Coordinator and Joint Bookrunner	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
Legal advisers to the Company as to English and US law	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG United Kingdom
Legal advisers to the Joint Global Coordinators, Joint Bookrunners and Sole Sponsor as to English and US law	Linklaters LLP 1 Silk Street London EC2Y 8HQ United Kingdom
Auditors and Reporting Accountants to the Company ...	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

Reporting Accountants to

Mondo

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Registrar and Receiving

Agent

Equiniti Limited
Aspect House
Spencer Road
Lancing
BN99 6DA
United Kingdom

PART I
LETTER FROM THE CHAIRMAN

ELEMENTIS

(incorporated and registered in England and Wales with company number 03299608)

Directors:

Andrew Duff, Chairman
Paul Waterman, Chief Executive Officer
Ralph Hewins, Chief Financial Officer
Nick Salmon, Senior Independent Director
Sandra Boss, Non-Executive Director
Dorothee Deuring, Non-Executive Director
Steve Good, Non-Executive Director
Anne Hyland, Non-Executive Director

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London
WC1V 6DX
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11 September 2018

**Proposed Acquisition of Mondo, fully underwritten Rights Issue
and Notice of General Meeting**

Dear Shareholder,

1. Introduction

On 29 June 2018, Elementis announced that it reached an agreement in principle in relation to the proposed acquisition (the “**Acquisition**”) of Mondo Minerals Holding B.V. (“**Mondo**”) from Advent Mondo (Luxembourg) S.à r.l. (the “**Seller**”).

The Mondo Group is a leading integrated producer of industrial talc, with a focus on the premium segment, owned by funds controlled by Advent International since 2011. The Mondo Group has a strong track record of growth and creates uniform, high purity products from its high quality resource base. In 2017 the Mondo Group had revenue of €122.2 million and adjusted EBITDA of €31.1 million with an adjusted EBITDA margin of 25.5%. The Directors believe the Mondo Group’s business has attractive growth prospects and is showing good momentum in the current year. Revenue increased by 17.6% to €71.2 million for the six months ended 30 June 2018 from €60.6 million for the six months ended 30 June 2017.

The Directors believe the Acquisition is strategically compelling for Elementis as there is significant value creation potential from the integration of Mondo into the Elementis Group following completion of the Acquisition (“**Completion**”, and the Elementis Group together with the Mondo Group, the “**Enlarged Group**”).

The Directors believe that the Mondo Group is an attractive, high quality business with differentiated market positioning and strong competitive advantages. Talc provides mission critical properties at a relatively low cost to a diverse range of industrial end markets that have a strong track record of, and prospects for, growth. The Mondo Group has longstanding relationships with its customers and its focus on quality, reliability and differentiated service enables it to optimise pricing to reflect the value of the solutions provided by the Mondo Group. Underpinned by its high quality, long duration talc resources, Mondo utilises proprietary flotation process know how and formulation expertise to deliver superior product quality and consistency. In combination with the global distribution platform and formulation expertise of Elementis, there is significant opportunity for value creation by bringing Mondo to the Enlarged Group.

Due to its size, the Acquisition is classified as a Class 1 transaction under the Listing Rules and accordingly requires the approval of Shareholders. A notice of the General Meeting to be held on 3 October 2018, at which your approval will be sought for the Acquisition, is set out at the end of this Circular.

The terms of the Acquisition originally announced by Elementis on 29 June 2018 valued Mondo at \$600 million on a cash free, debt free basis, which represented a multiple of 12.5 times adjusted EBITDA for the seven months ended 31 July 2018 (annualised), including the run rate of modest pre-tax cost synergies and based on an average exchange rate of \$1.20 per euro. Elementis subsequently received feedback from shareholders that led the Directors to conclude there was insufficient support amongst shareholders for the Acquisition to be approved on the originally announced terms. Accordingly, Elementis entered into negotiations with the Seller with a view to revising the terms of the Acquisition. On 11 September 2018 Elementis announced revised terms for the Acquisition, which value Mondo at \$500 million on a cash free, debt free basis, which represents a multiple of 10.4 times adjusted EBITDA for the seven months ended 31 July 2018 (annualised), including the run rate of modest pre-tax cost synergies and based on an average exchange rate of \$1.20 per euro.

In addition, up to €45.7 million (\$53.0 million) in earn-out payments will be payable following Completion, subject to the achievement of certain Earn-Out Adjusted EBITDA (as defined in the Sale and Purchase Agreement) thresholds over a three financial year period ending on 31 December 2020. The earn-out is subject to a reduction feature based on performance in the first and second financial year periods and a carry forward feature in the second and third financial year periods. If the performance targets are achieved in full, the terms of the Acquisition under the amended Sale and Purchase Agreement would value Mondo at \$553 million on a cash free, debt free basis, which would represent a multiple of 8.8 times the Earn-Out Adjusted EBITDA that Mondo would be required to achieve for the year ending 31 December 2020 to trigger the final earn-out payment under the Sale and Purchase Agreement. See Part III (*Principal Terms of the Acquisition*) for additional information.

The Earn-Out Adjusted EBITDA thresholds of the performance-based earn-out have been set to allow for value to be shared between Elementis and the Seller in a scenario where Mondo delivers strong continuing performance. For the maximum earn-out payments to be paid, Mondo would need to deliver Earn-Out Adjusted EBITDA growth relative to 2017 adjusted EBITDA of 38.4% in 2018, 55.0% in 2019 and 74.4% in 2020. No earn-out payments would be payable in the scenario where Mondo's Earn-Out Adjusted EBITDA growth relative to 2017 adjusted EBITDA is less than 30.1% in 2018, 41.2% in 2019 or 60.5% in 2020.

The Company proposes to finance the Acquisition and associated expenses through a combination of the proceeds of a rights issue to raise total gross proceeds of £176.4 million (approximately \$230 million at an exchange rate of \$1.3025 per pound sterling) the "**Rights Issue**", and by utilising a new \$775.0 million term and revolving credit facilities agreement (the "**Facilities Agreement**"), consisting of a \$400.0 million equivalent multi-currency term loan facility (the "**Term Facility**") and a \$375.0 million multi-currency revolving credit facility (the "**Revolving Credit Facility**", and together with the Term Facility, the "**New Debt Facilities**"). It is expected that approximately \$600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group.

The purpose of this letter is to explain the background to, and reasons for, the Acquisition and the Rights Issue and to explain why the Directors believe that the Acquisition and the Rights Issue are in the best interests of the Company and Shareholders and, accordingly, why the Directors recommend that you vote in favour of the Resolution to be proposed at the General Meeting. In this respect, this Circular should be read in its entirety and you should not rely solely on the information summarised in this Part I (*Letter from the Chairman*). Your attention, in particular, is drawn to the risk factors set out in Part II (*Risk Factors*).

2. Summary information on Mondo

The Mondo Group is a leading mine-to-market producer of talc and other mineral products with a strong presence in Northern and Central Europe and a growing customer base in Eastern Europe, Southern Europe, South America and Asia. The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints & coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The Mondo Group uses proprietary flotation process know how and formulation expertise to deliver superior product quality and consistency to its customers.

The Mondo Group employs approximately 226 full time employees (as at 30 June 2018) and owns and operates four talc mines in Finland with total resources of over 90 years at current levels of

production and has four production facilities in Finland and the Netherlands. The Directors believe that the Mondo Group has high quality employees and an experienced management team with a proven track record of repositioning the business and delivering growth.

In recent years the Mondo Group has focused on higher value industrial talc segments, which have higher contribution margins per tonne than paper talc segments, and expanding in international markets. For the six months ended 30 June 2018, revenue from industrial talc represented 79.5% of the Mondo Group's revenue (compared to approximately 51% for the year ended 31 December 2009). Customers in Europe represented 83.6% of Mondo's revenue by geography for the year ended 31 December 2017.

For the six months ended 30 June 2018, the Mondo Group had revenue of €71.2 million and operating profit of €9.7 million. For the year ended 31 December 2017, the Mondo Group had revenue of €122.0 million and operating profit of €15.4 million. Gross assets of the Mondo Group as at 31 December 2017 were €341.4 million.

Key strengths of the Mondo Group include:

- *A leading global supplier of premium talc-based products*
 - Amongst leading players globally to serve higher-end talc applications
- *Value-based pricing model based on tailored customer service and stringent qualification requirements*
 - Customised products tailored to specific client formulation with pricing differentiated by application
 - Rigorous supplier qualification process with customers resulting in long-term client relationships
- *Strong growth track-record with ~80% of sales in high-end industrial talc*
 - Mondo 2013-17 industrial talc sales compound annual growth rate ("**CAGR**") of 8% vs. 5% market
 - Favourable structural trends driving talc application growth above underlying end markets
- *Continuous focus on innovation fuelling growth with a solid pipeline of new projects*
 - Unlocking opportunities through new product launches in Coatings and Personal Care
 - Production and supply chain innovation to increase operational efficiency
- *Track-record of stable adjusted EBITDA and cash generation through economic cycles*
 - The Directors believe this shows resilient performance during the global financial crisis
 - Shift to industrial talc drives contribution margin expansion and absolute adjusted EBITDA growth
- *High quality resource base with long life of mine and strategic locations*
 - Over 90 years of owned resources with limited capex requirements
 - 90% of sales utilise flotation-purified talc from Mondo's own talc ore resources

3. Background to and reasons for the Acquisition

The Elementis Group is a global specialty chemicals company and when considering potential acquisition opportunities seeks businesses from which it can create long-term value and that have sustainable competitive advantages, good growth prospects and which leverage the Elementis Group's existing capabilities. The Elementis Group focuses on targets that represent high-value intermediates that are a low percentage of an end product's cost, but critically important to performance. In the case of the Mondo Group, the Directors believe that the Acquisition represents an exceptional opportunity to add a leading talc producer that is underpinned by sustainable competitive advantages and significant growth opportunities. The Directors believe that the strategic rationale for the Acquisition is compelling:

Mondo is a premium supplier of talc with close customer relationships underpinned by structural advantages and a focus on quality and reliability

The Mondo Group is a high quality business with a leading competitive position centred on multiple structural advantages. Through high quality, long duration talc resources located in Finland, Mondo is a fully integrated operation addressing high end industrial applications. These high grade talc deposits, which have over 90 years of total resource life, are one of only two known deposits of scale in Europe. As a result of optimised upstream and downstream logistics from plants in Finland and the Netherlands, Mondo has an industry leading cost structure from which to serve dynamic end markets around the world.

The Mondo Group aims to deliver superior product quality and consistency through its well invested assets, proprietary flotation process know how, precise control over performance properties and formulation expertise. This quality of output allows Mondo to focus on high value talc applications, an area which commands premium margins and notable demand growth. There is a rigorous supplier qualification process that renders switching between talc suppliers a costly and time consuming process and which enables Mondo to develop custom formulations for key accounts' specifications.

Mondo serves resilient and high growth end markets

Talc is the softest known mineral and its unique attributes provide mission critical properties at a relatively low cost to a diverse range of industrial applications including coatings and long life plastics. The Company believes that the market for targeted industrial talc applications has grown at approximately 5% CAGR over the last five years, and expects this to accelerate to approximately 7% per annum through to 2023, driven by the continued increase in talc penetration and trends towards higher value specialty talc. Favourable structural trends are expected to support this market growth and include the reduction in weight of vehicles and the increased use of talc in life sciences.

The Mondo Group's revenue from targeted industrial applications has grown at a 9% CAGR since 2009 and in 2017 represented approximately 79% of revenue, compared to approximately 64% in 2013. In 2017 the contribution margin per tonne of industrial talc represented approximately 60% more than the contribution margin of paper talc. Revenue growth at or above the market for industrial talc is expected to be supported by an encouraging innovation pipeline, expansion into new high growth verticals such as life sciences and anticipated favourable structural trends, including an increase in the percentage share of plastics in automobiles by 2025.

A complementary combination with strong value creation opportunity and synergy potential

Aligned with Elementis' hectorite based value chain, Mondo leverages access to a scarce, high quality natural resource to create products that serve diverse end markets. The Company believes that clear areas of complementarity exist, from mineral extraction to formulation expertise, application driven research and development, through to end markets and customers, notably coatings, which both Elementis and Mondo serve. The combination with Mondo is expected to improve Elementis' position as a higher quality, higher margin company with attractive growth potential, consistent with Elementis' "Reignite Growth" strategy.

The Directors believe Mondo is well positioned to grow at or above the positive trend in industrial talc applications by developing its position in high end talc markets. Opportunities are available based on Elementis' global knowledge, scale and relationships to unlock additional value and further growth.

The Directors expect that, as a result of the Acquisition, the Enlarged Group will be able to realise approximately \$20-25 million of revenue synergies by the end of 2023. Following an initial integration period, a significant majority of the identified synergies would be achieved between the financial years ending 31 December 2020 and 2023.

The revenue synergies identified over the medium term comprise approximately \$10-15 million in the Coatings business of the Enlarged Group and approximately \$10 million in the Personal Care business of the Enlarged Group. The revenue synergies of approximately \$10-15 million in the Enlarged Group's Coatings business are anticipated to arise primarily through geographic expansion utilising global sales and technical services relationships of the Elementis Group to increase market share of the Mondo

Group's industrial coatings in North America and Latin America, and also through deepening strategic relationships with existing customers of the Elementis Group for the sale of talc and increasing share of wallet. The revenue synergies of approximately \$10 million in the Enlarged Group's Personal Care business are anticipated to arise primarily through enhanced access for the Mondo Group to world leading personal care formulators and distributors and strengthening partnerships with the Elementis Group's top multi-national customers outside of Europe, as well as an expansion to new markets in Asia and the Americas utilising local sales, distribution and logistics networks and greater sales coverage within Europe. Revenue synergies in the Enlarged Group's Personal Care business are also expected to be achieved through an extension of the product portfolio of attractive cosmetic applications.

In addition to the \$20-25 million of revenue synergies identified, the Directors expect the Acquisition to unlock new business opportunities for the Elementis Group through its expertise in surface chemistry modification and the utilisation of talc in formulations. The Directors expect that the Enlarged Group will also benefit from modest pre-tax cost synergies through a single corporate overhead structure, a "best of both" approach to non-product related procurement costs and certain consolidation opportunities.

The total quantified revenue synergies of \$20-25 million are equivalent to 2.2-2.7% of the pro forma revenue of the Enlarged Group for the year ended 31 December 2017 of approximately \$919.7 million.

The expected synergies identified reflect both the beneficial elements and relevant costs. No significant implementation costs are expected to be incurred in order to achieve the revenue synergies in the Coatings and Personal Care businesses of the Enlarged Group. The expected synergies would accrue as a direct result of the success of the Acquisition and could not be achieved independently by the Elementis Group.

4. Financial effects of the Rights Issue and the Acquisition

Mondo has an attractive financial profile with significant growth potential, adjusted EBITDA margins of 25.5% for the year ended 31 December 2017 and strong free cash flow generation. The Directors believe the Acquisition will be financially attractive for Elementis' shareholders taking into account the terms of the Acquisition and the outlook for the business. The highly attractive adjusted EBITDA margins that Mondo has delivered mean that the Acquisition is expected to be immediately accretive to Elementis' EBITDA margin.

Based on the closing Elementis share price of 252.8 pence and an exchange rate of \$1.16 per euro as at 10 September 2018, the Acquisition is expected by the Directors to be accretive to adjusted earnings per share in the first full year following Completion, excluding any benefit other than modest pre-tax cost synergies. The Directors also expect the Acquisition to generate a post-tax return on invested capital above the Elementis Group's weighted average cost of capital in the second full year following Completion (excluding the benefit of revenue synergies).

On Completion, and assuming the Rights Issue completes and bank facilities are drawn, it is estimated that the leverage for the Enlarged Group would be approximately 2.50 times EBITDA. The Directors anticipate the strong cash generation of the Enlarged Group to drive a material deleveraging profile thereafter with leverage reducing to less than 2.00 times by the end of 2019.

5. Financing the Acquisition

The Acquisition (and associated expenses) is proposed to be financed through (i) the Rights Issue of £176.4 million (approximately \$230 million at an exchange rate of \$1.3025 per pound sterling), which has been fully underwritten; and (ii) utilising the \$775.0 million New Debt Facilities.

The initial aggregate cash consideration payable in connection with the Acquisition is approximately \$307.2 million, subject to certain adjustments. It is expected that the cash consideration for the Acquisition will be satisfied primarily through the proceeds of £176.4 million (approximately \$230 million at an exchange rate of \$1.3025 per pound sterling) from the Rights Issue. In addition, it is expected that approximately \$600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

Given the scale and size of the proposed Acquisition, the Directors believe they have taken a prudent approach to structuring and financing of the Acquisition and associated expenses through a mixture of equity and debt. This structure allows Elementis to retain financial strength and flexibility in respect of potential future business developments.

The Board decided on the Rights Issue as a means of raising capital as this would ensure that Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders resident or with registered addresses in the United States or any of the Excluded Territories) subscribe for all of the New Ordinary Shares to which they are entitled, their shareholdings would not be diluted as a result of the financing arrangements for the Acquisition.

The Directors intend to apply the proceeds of the Rights Issue to fund part of the consideration for the Acquisition, together with the associated transaction and Acquisition costs. The net proceeds of the Rights Issue will be placed on deposit pending Completion. If Completion does not take place before midnight on 31 December 2018, the Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.

6. Dividend policy

The Company introduced a new progressive dividend policy following the acquisition of SummitReheis in 2017 to reflect the Company's movement from a net cash to a net debt position. In respect of the year ended 31 December 2017, the Company's dividend per Ordinary Share was 8.80 cents (2016: 8.45 cents).

The Directors understand the importance of dividend payments to Shareholders and, reflecting the confidence that the Directors have in the benefits of the Acquisition, it is intended that, following Completion of the Acquisition, the Elementis Group will maintain its existing dividend policy (after rebasing for the bonus element of the Rights Issue), underpinned by the strong cash generation and future prospects of the Enlarged Group. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends. The New Ordinary Shares will not be eligible for the interim dividend of 2.95 cents per Ordinary Share announced by the Company on 31 July 2018.

The Directors remain, therefore, committed to the dividend policy outlined at the 2017 annual results, namely a progressive ordinary dividend, normally with dividend cover of at least two times adjusted earnings and to seek to make additional returns when leverage falls below one times EBITDA. Since the SummitReheis acquisition, Elementis has reduced its leverage ratio while also continuing to invest and grow its annual ordinary dividend. Consequently, the Directors are confident in the Enlarged Group's ability to grow ordinary dividends and reduce leverage.

7. Current trading, trends and prospects

See "*Forward-looking statements*" in the section of this Circular entitled "*Important Information*".

7.1 Elementis

In the period since 30 June 2018, the Elementis Group has continued to trade in line with management expectations.

As stated in the Elementis interim results announcement on 31 July 2018, the Directors see significant potential for Elementis. The management team is focused on the delivery of the Reignite Growth strategy and are building strategic and financial momentum. Elementis is on track and confident of making further progress in 2018.

The Directors aspire for the Elementis Group following the Acquisition to return to 2017 levels of return on operating capital employed (defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage) by 2020.

7.2 *Mondo*

In the period since 30 June 2018, the Mondo Group has continued to trade in line with management expectations.

The Directors expect the Mondo Group's revenue for the year ending 31 December 2018 to increase by approximately 15% as compared to the year ended 31 December 2017, driven primarily by gains with existing customers (including as a result of expanding to new geographies with existing customers and new product innovations such as low oil absorption and heat treated talc), gains with new customers (including as a result of first volumes with new plastics customers, new formulations for new coatings customers, and food, cosmetics and drug excipients for new life science customers) and growth from other mineral co-products (including as a result of nickel concentrate sales and improvement of floatation yields).

Over the medium term, the Directors expect the Mondo Group's revenue to increase by approximately 5-7% per annum, excluding the impact of expected synergies. The Directors expect the Mondo Group's adjusted EBITDA margin to be driven over the medium term by a number of factors, including continuation of the positive product mix shift toward industrial talc, fixed costs (excluding the impact of expected synergies) growing at a slower rate than revenue and the realisation of modest cost synergies. Over the medium term, the Directors expect the Mondo Group to have approximately €10-11 million of recurring capital expenditure per annum and an effective tax rate in the low 20s(%).

8. **Principal Terms of the Acquisition**

On 13 August 2018, Elementis, Elementis Holdings Limited (the "**Purchaser**") and the Seller entered into a sale and purchase agreement in connection with the acquisition of the entire issued share capital of Mondo Minerals Holding B.V. (the "**Sale and Purchase Agreement**"). On 11 September 2018, the Purchaser and the Seller amended the Sale and Purchase Agreement to reflect the revised terms of the Acquisition (the "**Amendment Agreement**"), which value Mondo at \$500 million on a cash free, debt free basis. In addition, up to €45.7 million (\$53.0 million) in earn-out payments will be payable following Completion, subject to the achievement of the Earn-Out Adjusted EBITDA thresholds over a three financial year period ending on 31 December 2020 and certain reductions (based on performance in the first and second financial year periods) and carry forward (based on performance in the second and third financial year periods) features. Under the terms of the Sale and Purchase Agreement, and subject to certain conditions, the entire issued share capital of Mondo shall transfer to Elementis Holdings Limited at Completion.

Completion of the Acquisition is conditional upon:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Shareholders passing an ordinary resolution at a general meeting; and
- the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained;

The approval of the anti-trust authorities in Brazil and Germany was obtained on 8 August 2018 and 25 July 2018, respectively.

The principal terms of the Acquisition reflecting the position following entry into of the Amendment Agreement are described in further detail in Part III (*Principal Terms of the Acquisition*) of this Circular.

9. **Principal terms of the Rights Issue**

Elementis is proposing to raise proceeds of £176.4 million (approximately \$230 million at an exchange rate of \$1.3025 per pound sterling) from the Rights Issue which will be used to fund part of the cash consideration for the Acquisition. The Rights Issue will comprise the issue of 116,044,829 New Ordinary Shares (representing approximately 25% of the existing issued share capital of the Company and, assuming no additional shares are issued by the Company prior to completion of the Rights Issue, approximately 20% of the enlarged issued share capital immediately following completion of the Rights Issue) through a 1 for 4 Rights Issue at 152.0 pence per New Ordinary Share. Dealings in the New Ordinary Shares (nil-paid) are expected to commence at 8.00 a.m. on 4 October 2018, the first trading day after the approval of the Acquisition by Shareholders at the General Meeting.

The Rights Issue is to be made at 152.0 pence per New Ordinary Share, payable in full on acceptance by no later than 11.00 a.m. on 18 October 2018. The Rights Issue price represents a 34.7% discount to the theoretical ex-Rights price based on the closing middle-market price of 252.8 pence per Ordinary Share on 10 September 2018.

Pursuant to the Rights Issue, the Company is proposing to offer 116,044,829 New Ordinary Shares to Qualifying Shareholders other than, subject to certain exceptions, Qualifying Shareholders resident or with registered addresses in the United States or any of the Excluded Territories. The Rights Issue will be made on the basis of 1 New Ordinary Share at 152.0 pence per New Ordinary Share for every 4 Existing Ordinary Shares held by such Qualifying Shareholders at the close of business on the Record Date. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders and will be disregarded.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Ordinary Shares. The New Ordinary Shares will not be eligible for the interim dividend of 2.95 cents per Ordinary Share announced by the Company on 31 July 2018.

The New Ordinary Shares to be issued pursuant to the Rights Issue are underwritten by UBS and HSBC pursuant to the underwriting agreement entered into between Elementis, UBS and HSBC dated 11 September 2018 (the “**Underwriting Agreement**”).

The Rights Issue is conditional upon, *inter alia*:

- the Sale and Purchase Agreement not having been terminated and none of the conditions precedent to Completion set out therein having become incapable of satisfaction prior to admission of the New Ordinary Shares, nil paid, to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities (“**Admission**”);
- the passing of the Resolution;
- the Underwriting Agreement not having been terminated prior to becoming unconditional; and
- Admission occurring by no later than 8.00 a.m. on 4 October 2018 or such later time and/or date as may be agreed between the Company and the Underwriters, not being later than 18 October 2018.

Elementis can give notice that it wishes to terminate the Sale and Purchase Agreement prior to completion of the Acquisition if certain conditions, as detailed within the Sale and Purchase Agreement and explained further in Part III (*Principal Terms of the Acquisition*) of this Circular, are not satisfied. It is therefore possible that the Rights Issue could proceed but the Acquisition does not. If that situation were to arise, the Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.

Applications will be made to the UKLA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence by 8.00 a.m. on 4 October 2018 and in the New Ordinary Shares (fully paid) by 8.00 a.m. on 19 October 2018.

10. Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 7 of Part X (*Terms and Conditions of the Rights Issue*) of the Prospectus.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders on the register at the Record Date, including Overseas Shareholders. However, subject to certain exceptions,

Provisional Allotment Letters will not be sent to Qualifying Non-CREST Shareholders resident or with registered addresses in the United States or any of the Excluded Territories, nor will the CREST stock account of Qualifying CREST Shareholders resident or with registered addresses in the United States or any of the Excluded Territories be credited.

Notwithstanding any other provision of this Circular or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder on the register at the Record Date to take up his rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

11. Share schemes

The options and awards granted under the Company's share schemes may be adjusted in accordance with the rules of the relevant share schemes and in such a way as the Remuneration Committee considers appropriate to compensate option and award holders for any effect the Rights Issue will have on those options and awards. Any adjustments will be made on or after the ex-rights date and will be subject to the approval of HMRC and the Company's auditors where required. Where options and awards are subject to performance conditions, adjustments may, if appropriate be made to the conditions. Participants in the share schemes will be contacted separately with further information on how their options and awards may be affected by the Rights Issue.

12. General Meeting and Resolution

A notice convening the General Meeting to be held at The Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX at 10.00 a.m. on 3 October 2018 at which the Resolution will be proposed is set out at the end of this Circular. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution.

A summary of the Resolution is set out below. The full text of the Resolution is included in the Notice of General Meeting, which is set out in Part VIII (*Notice of General Meeting*) of this Circular.

Due to its size, the Acquisition is classified as a Class 1 transaction under the Listing Rules and therefore requires the approval of Shareholders. The Resolution will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

The Resolution proposes that the Acquisition be approved and the Directors be authorised to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition.

If the Resolution is not passed, the Acquisition will not complete.

Shareholders should be aware that it is possible that the Acquisition could fail to complete. This possibility is discussed further in paragraph 9 above and paragraph 7 of Part III (*Principal Terms of the Acquisition*) of this Circular.

For further information in relation to the Resolution to be proposed at the General Meeting, see the Notice of General Meeting set out in Part VIII (*Notice of General Meeting*).

13. Action to be taken

13.1 General Meeting

If you are a Shareholder, you will find enclosed with this Circular a Form of Proxy for use at the General Meeting. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's registrar, Equiniti, as soon as possible and, in any event, so as to arrive not later than 10.00 a.m. on 1 October 2018.

You may also register the appointment of a proxy electronically at www.sharevote.co.uk. Shareholders will need their Voting ID, Task ID and Shareholder Reference Number, each of which is printed on the face of the Form of Proxy. Full details of the procedures are

given on the website. Alternatively, if you have already registered with the Company's Registrar's online portfolio service, Shareview, you can submit your proxy by logging on to your portfolio at www.shareview.co.uk and clicking on 'Company Meetings'. Instructions are given on the website. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer's agent, Equiniti, so that it is received no later than 10.00 a.m. on 1 October 2018.

The completion and return of the Form of Proxy, or completion of a proxy electronically, will not preclude you from attending the General Meeting and voting in person if you wish to do so. Further details relating to voting by proxy are set out in the Notice of General Meeting at the end of this Circular.

13.2 Rights Issue

If the Resolution is approved and the Rights Issue proceeds, you will be sent a Provisional Allotment Letter giving details of your Nil Paid Rights by post on or about 3 October 2018 if you are a Qualifying Non-CREST Shareholder other than, subject to certain exceptions, a Qualifying Non-CREST Shareholder resident or with a registered address in the United States or any of the Excluded Territories. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock account(s) in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 4 October 2018. Such crediting does not in itself constitute an offer of Nil Paid Rights.

If you have sold or otherwise transferred all of your existing Ordinary Shares, please send this Circular, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and contact the bank, stockbroker or other agent through whom the sale or transfer was effected.

The latest time for acceptance by Qualifying Shareholders under the Rights Issue is 11.00 a.m. on 18 October 2018. The procedure for acceptance and payment is set out in Part X (*Terms and Conditions of the Rights Issue*) of the Prospectus. Further details also appear in the Provisional Allotment Letter which will be sent to all Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders resident or with a registered address in the United States or any of the Excluded Territories).

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are outside the United Kingdom, from another appropriately authorised independent financial adviser.

14. Further information

Your attention is drawn to the further information set out in Part II to Part VI of this Circular, and in particular the risk factors set out in Part II (*Risk Factors*). You should read all of the information contained in, or incorporated by reference into, this Circular and not rely solely on the information summarised in this Part I.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Elementis website (www.elementisplc.com). It is expected that this will be on 3 October 2018.

If you are in any doubt as to your tax position you should consult your own independent tax adviser without delay.

15. Financial advice

The Board has received financial advice from Evercore in relation to the Acquisition. In providing such financial advice to the Board, Evercore has relied upon the Directors' commercial assessments of the Acquisition.

16. Directors' Intentions

The Directors are fully supportive of the Acquisition and the Rights Issue. Each of the Directors who hold Ordinary Shares intends to take up in full his or her rights to subscribe for New Ordinary Shares under the Rights Issue.

17. Recommendation

The Board believes that the Acquisition and the Rights Issue are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution as the Directors will do (or procure to be done) in respect of their own beneficial holdings of 414,687 Ordinary Shares in aggregate, representing approximately 0.09% of the existing issued ordinary share capital of Elementis as at the Latest Practicable Date.

Elementis has received strong support for the Acquisition from its top shareholders including a non-binding letter of intent from Threadneedle Asset Management Limited (part of Ameriprise Financial, Inc's group) and an irrevocable undertaking from APG Asset Management N.V. to vote in favour of the Acquisition. In addition the Company has received written confirmation of support from a further two of its top five shareholders.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A Duff', is positioned above the printed name and title.

Andrew Duff
Chairman

PART II

RISK FACTORS

Any investment in the Company and its Ordinary Shares is subject to a number of risks. Accordingly, investors should consider and review this Circular carefully and in its entirety (together with the documents incorporated by reference into it) including the following risks prior to making any investment decision or deciding whether to vote in favour of the Acquisition at the General Meeting. A number of factors affect the business, financial condition, results of operations, cash flows and prospects of each of the Elementis Group, the Mondo Group and, following completion of the Acquisition, the Enlarged Group. This section describes the risk factors considered to be material risk factors in relation to the Acquisition, or which will be material new risk factors to the Elementis Group as a result of the Acquisition, or which are existing material risk factors to the Elementis Group which will be impacted by the Acquisition. If any of the following risks actually materialise, the Enlarged Group's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected and the value of the Ordinary Shares could decline. The risks described below are not the only ones faced and should be used as guidance only. Additional risks not presently known to the Directors or that the Directors currently deem immaterial may also, whether individually or cumulatively, have a material adverse effect on the Elementis Group's business, financial condition, results of operations, cash flows or prospects, or following the Acquisition, that of the Enlarged Group, and could negatively affect the price of the Ordinary Shares. Investors could lose all or part of their investment.

Shareholders should consider carefully the risks and uncertainties described below, together with all other information contained in this Circular (including any information incorporated into this Circular by reference) before deciding whether or how to vote in respect of the Resolution.

The information included herein is based on information available as at the date of this Circular and, except as requested by the FCA or required by the Listing Rules, MAR, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under the heading "Forward-looking statements" of the section of this Circular entitled "Important Information".

1. Risks relating to the Acquisition

1.1 The Acquisition is subject to conditions which may not be satisfied or waived, and any failure to complete the Acquisition may materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Elementis Group.

The Acquisition is conditional upon the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Shareholders passing the Resolution. The parties to the Sale and Purchase Agreement, details of which are set out in Part III (*Principal Terms of the Acquisition*), also have certain termination rights.

There can be no assurance that the condition will be satisfied or, if applicable, waived or that, where relevant, the parties to the Sale and Purchase Agreement will not exercise any termination rights they may have. If the Acquisition does not complete, the Elementis Group would nonetheless have incurred significant fees and other costs (primarily due diligence, advisory and financing fees) in connection with the Acquisition. If Completion fails to occur as a result of Shareholders not approving the Resolution at the General Meeting, Elementis would be required to pay a break fee of \$17.1 million to the Seller which, absent fraud or fraudulent misrepresentation, shall be the sole remedy of the Seller in respect of termination of the Sale and Purchase Agreement. Any failure to complete the Acquisition may materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Elementis Group and could negatively affect the price of the Ordinary Shares.

In addition, it is possible that a condition of the Acquisition may not be satisfied, or a termination right under the Sale and Purchase Agreement may be exercised, after completion of the Rights Issue but prior to Completion of the Acquisition. In that situation the Acquisition would not proceed but the Elementis Group would be in receipt of the Rights Issue proceeds. In such circumstances, the Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.

1.2 *The Enlarged Group may fail to realise the expected benefits of the Acquisition.*

The Enlarged Group may not realise the anticipated benefits and revenue and cost synergies that the Directors expect will arise as a result of the Acquisition or may encounter difficulties, higher costs or delays in achieving those anticipated benefits and synergies. For example, due diligence investigations prior to the Acquisition may not have identified material liabilities or risks within the Mondo Group or may not have been sufficient to adequately assess the value of the Mondo Group. Additionally, the assumptions upon which the Board determined the consideration payable for the Acquisition may prove to be incorrect.

The Elementis Group may also encounter difficulties in achieving the anticipated benefits of the Acquisition with new and existing customers or growth from new products (including those with joint talc and hectorite applications) in accordance with anticipated timeframes or such additional value, future growth and synergies may not materialise in part or at all. For example, the Elementis Group anticipates integration of its current customer base with that of the Mondo Group, creating opportunities for the cross-selling of products. There can be no assurance that these cross-selling efforts will be successful as existing customers of the Elementis Group may decide that they do not require the products offered by the Mondo Group or that they would prefer to purchase products from competitors. In addition, competitors may react defensively to these cross-selling efforts (e.g. by reducing their prices) and the Enlarged Group may not have sufficient capacity within its account management teams to work effectively across a wide range of customers, end-markets and geographies. Customers may also delay decision-making while the Acquisition is pending, or in the event of delays in Completion.

Any failure to realise the anticipated benefits and revenue and cost synergies that the Elementis Group expects to arise as a result of the Acquisition could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows and prospects.

1.3 *Acquisition-related costs may exceed the Elementis Group's expectations.*

The Elementis Group will incur legal, accounting and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition completes. The actual fees and costs may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. See also "*—The Enlarged Group may experience difficulties in integrating the Mondo Group into the Elementis Group*" below.

1.4 *The Enlarged Group may experience difficulties in integrating the Mondo Group into the Elementis Group.*

The Enlarged Group may encounter numerous integration challenges in connection with the Acquisition, including challenges which are not currently foreseeable. The process of integrating the Mondo Group into the Enlarged Group under a single corporate overhead structure may take longer than expected, or other difficulties, of which the Board is not yet aware, may arise in connection with the integration. The Elementis Group expects to incur costs in relation to the Acquisition and modest post-closing costs in order to successfully integrate the operations of the Mondo Group into the Elementis Group.

The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process. The integration process could potentially lead to the interruption of operations of the Elementis Group or the Mondo Group, or a loss of customers or key personnel. Such challenges could also lead to reputational damage for the Enlarged Group. Any delays or difficulties encountered in connection with the integration process could adversely affect the implementation of the Enlarged Group's plans, which could have an adverse effect on the business, results or operations or financial condition of the Enlarged Group.

1.5 *Following Completion, the indebtedness and financial leverage of the Enlarged Group will increase.*

In connection with the Acquisition, members of the Elementis Group have entered into the Facilities Agreement. It is expected that the approximately \$600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

As a result, the Acquisition will significantly increase the overall indebtedness and financial leverage of the Enlarged Group, which will result in increased repayment commitments and borrowing costs. This could limit the Enlarged Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put to the potential detriment of its business. Therefore, depending on the level of the Enlarged Group's borrowings, prevailing interest rates and exchange rate fluctuations, this could result in reduced funds being available for the Enlarged Group's expansion, dividend payments and other general corporate purposes. Although the Directors anticipate the strong cash generation of the Enlarged Group to drive a material deleveraging profile after the Acquisition, there can be no assurance that the leverage of the Enlarged Group will reduce in line with expectations or at all.

2. Material new risk factors to the Elementis Group as a result of the Acquisition and existing material risk factors to the Elementis Group which will be impacted by the Acquisition

2.1 *Any downturn in general economic conditions or in the end markets in which customers of the Elementis Group and the Mondo Group operate may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Elementis Group and, following the Acquisition, the Enlarged Group.*

The performance of specialty chemicals markets is affected by general economic conditions and the performance of the specific end-user markets in which customers for specialty chemicals operate. During an economic downturn, consumers tend to reduce spending by reducing the volume of their purchases or by shifting their purchasing pattern towards cheaper products, with these trends being particularly pronounced with respect to discretionary purchases. Demand for the Mondo Group's industrial talc is influenced by factors such as levels of demand for new automobiles and for the repair of used automobiles, levels of demand for electronic equipment (e.g., household appliances), construction activity levels, the stringency of environmental regulation regarding automotive emissions, levels of demand for new marine vessels, train wagons, containers and aircraft and levels of demand for pharmaceuticals, cosmetics and chewing gum. Demand for the Mondo Group's paper talc is influenced by factors such as levels of demand for paper in communications and advertising, which generally has decreased in recent periods as a result of the increasing use of electronic media.

Adverse developments that may result in a downturn in general economic conditions or in the industries in which customers of the Elementis Group and the Mondo Group operate also include rising levels of protectionism and political uncertainty, the risk of retaliatory tariffs or other disputes between trading partners (including any escalation in the imposition of tariffs between the United States and other countries), the potential impact of the withdrawal of the United Kingdom from the European Union, sovereign debt crises, the potential impact of the imposition or expansion of economic sanctions, the risk of the outbreak of war or worsening of instability in certain regions, refugee crises and acts of terrorism. Any downturn in general economic conditions or in the industries in which customers of the Elementis Group and Mondo Group operate, whether as a result of any such developments or as a result of other factors, may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

In addition, the Elementis Group and Mondo Group are exposed to the volatile and cyclical nature of specialty chemicals markets. The transition from market growth to market decline can be very swift and any such decline may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.2 *The markets of the Elementis Group and the Mondo Group are highly competitive and the Enlarged Group may lose market share to other suppliers of specialty chemical products. The loss of a significant customer or multiple customers could adversely affect sales and profitability.*

The global specialty chemicals and talc markets in which the Elementis Group and the Mondo Group operate are highly competitive and feature competition from large international suppliers as well as from regional competitors (including low-cost suppliers in Asia) who may improve their competitive position in the core markets of the Elementis Group and the Mondo Group by successfully introducing new products, improving their production processes, expanding their capacity, distribution capabilities or production facilities or by competing on price. Competition among producers of specialty chemicals

and talc can result in significant pressure on prices which may adversely affect the revenues, margins and market shares of the Enlarged Group. Although the Directors believe that the Mondo Group has a strong cost position and an advantage in terms of product attributes relative to its primary competitors, no assurance can be given that this position would be sustained by the Enlarged Group following the Acquisition.

Customer retention is generally high in the specialty chemical and talc markets, with most customers only purchasing from one or two suppliers with whom they have pre-existing relationships. It is generally difficult to acquire customers from competitors as switching to a new supplier can be costly and time consuming for the customer and, as a result, the Enlarged Group may be unable to acquire new customers or reacquire any customers that it may lose to a competitor. Customers are also increasingly moving away from a single supplier model to avoid relying too heavily on a sole supplier and, as a result, the Enlarged Group may face increased competition with respect to its existing customers for whom it acts as the sole supplier as competitors seek to establish themselves as second suppliers and to grow the share of supply that they provide to such customers.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.3 *If the Enlarged Group is not able to meet the changing needs of its customers and keep pace with technological innovations, or to mitigate the threat posed by new or substitute products and technologies developed by competitors, its customers may turn to other suppliers to meet their requirements.*

The ability of the Enlarged Group to compete is and will remain highly dependent on its ability to meet the changing needs of its customers and keep pace with technological innovations. In the future, alternative products and technologies could be developed, or existing products and technologies could be improved, which could be used in place of the products and technologies supplied by the Enlarged Group. If new types of products or technologies with favourable characteristics are developed or existing products or technologies are improved by other suppliers, or if technological developments or improvements in processes result in competitors being able to offer their products and technologies at lower prices, then there is a risk that customers could replace the products and technologies offered by the Enlarged Group with materials or technologies offered by competitors. If the Enlarged Group is not in a position to compete on the basis of quality and/or price, this could lead to substantial declines in sales and market share, which could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group. For example, the Enlarged Group may lose market share to competitors that supply products (such as clay or mica) that can be substituted for the talc products supplied by the Mondo Group.

In addition, customers of the Enlarged Group may introduce new generations of their own products or require new technological and increased performance specifications that would require the Enlarged Group to develop customised products. Innovation or other changes in the product performance requirements of customers of the Enlarged Group may also adversely affect the demand for the existing products of the Enlarged Group. The future growth of the Enlarged Group will depend on its ability to gauge the direction of the commercial and technological progress in all key end-use markets, and upon its ability to successfully develop, manufacture and market products in such changing end-use markets. Such development, production and marketing efforts by the Enlarged Group may not be successful, and the Enlarged Group may incur material losses in connection therewith. For example, a small but growing number of customers in the automotive plastics market are requesting high aspect ratio (“HAR”) talc with improved weight-to-stiffness ratios as compared to non-HAR talc. The Mondo Group has completed the initial stages of development and is moving towards the commercialisation of its HAR capabilities. If the Enlarged Group is unable to compete with other suppliers of HAR talc, this may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Enlarged Group will need to continue to identify, develop and market innovative products on a timely basis to replace existing products in order to maintain its competitive position. If the Enlarged Group fails to keep pace with evolving technological innovations or fails to modify or develop products in response to customers’ needs, then the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group could be materially adversely affected.

2.4 The Enlarged Group may be subject to material litigation and claims for damages.

The Enlarged Group may become involved in legal proceedings and claims in the ordinary course of its business, including legacy claims from businesses that have been acquired by the Mondo Group. Any adverse results in such proceedings could make the Enlarged Group liable to pay substantial damages and court costs, and could also result in reputational and other non-monetary damages. Even where the Enlarged Group prevails in a legal dispute, the dispute can divert financial and management resources that it would otherwise be able to use in its operations.

In particular, certain materials such as chromic acid, chrome sulphate, sodium dichromate, chrome oxide and certain active ingredients in antiperspirants which are used in the products of the Elementis Group and the Mondo Group have come under scrutiny due to potentially significant or perceived health impacts and safety concerns. For example, certain Elementis Group products contain hexavalent chromium, a substance suspected to have carcinogenic properties. There is also a risk that one or more of the components of the Elementis Group's or the Mondo Group's products may be found to have currently unrecognised toxicological, health or other impacts on consumers, employees or the environment. Such impacts may cause personal injury and loss of life, damage to property and contamination of the environment, which could lead to business interruptions, fines and lawsuits by impacted persons or their estates and/or reputational damage. If any such actions are brought and determined adversely, the Enlarged Group may have inadequate insurance to cover any fines or damages which may be imposed.

Moreover, there have recently been a number of large jury awards in cases primarily brought in the United States by consumers against makers of common consumer products containing talc, such as body powder. The plaintiffs in these cases have alleged serious health complications, including ovarian cancer, associated with long-term exposure to or use of both asbestos-contaminated talc and non-asbestos-contaminated talc. Although no such lawsuits have been filed against the Mondo Group to date, and many of the lawsuits filed to date have been filed against manufacturers of consumer products containing talcum powder (rather than against the underlying suppliers of talc), there can be no assurance that the Mondo Group or the Enlarged Group will not become a party to material litigation in the future or become subject to material jury awards for damages. Additionally, while the Mondo Group has not detected any asbestos in the talc produced from its Finnish mines, it has in the past and may in the future reject batches of talc imported from Asia due to the presence of asbestos fibres. Any failure by the Mondo Group or the Enlarged Group to accurately detect the presence of asbestos in its talc, whether produced or imported, or keep adequate records of the safety testing of its talc could result in regulatory actions or civil lawsuits. Moreover, jury awards have been made against defendants who have maintained that their products did not contain asbestos and who have kept testing records that indicated an absence of asbestos from their talc.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.5 The Elementis Group and the Mondo Group are subject to hazards associated with chemical production, storage and transportation.

Chemical production, storage and transportation are inherently hazardous. Due to the nature of their businesses, the Elementis Group and the Mondo Group are exposed to hazards and risks associated with the handling of raw materials, intermediates, products and wastes, including incidents involving loss of containment of harmful chemicals resulting in exposure to humans, adverse impact to the environment and community and damage to company assets. The processes employed by the Elementis Group and the Mondo Group to produce their respective products carry the risk of exposing staff members to potentially dangerous substances, including chromic acid and its derivatives (including hexavalent chromium) and asbestos dust. Any such incidents or exposure could lead to an interruption or suspension of operations and have an adverse effect on the productivity and profitability of a particular production facility or on the businesses as a whole and could lead to reputational damage resulting from litigation, regulatory enforcement actions or negative press coverage.

2.6 Any significant operational difficulties affecting production may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Enlarged Group's ability to manage its operations successfully and to achieve operational performance in line with its strategy, business plans and budgets depends on the efficient and uninterrupted operation of its planning processes, operational delivery capabilities and internal control environment. In 2015, the Mondo Group discovered that it had made excessive use of imported talc in the production of several products. While the Mondo Group has since corrected the product recipes in its plants and reporting systems, there can be no assurance that other operational errors or difficulties will not occur again in the future.

The failure to address any operational difficulties across the production chain effectively, including those described above, could prevent the Enlarged Group from reaching its production and sales targets, reduce cash flows and increase unit costs, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.7 Disruption in the supply of talc ore or increases in the costs of talc ore may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Elementis Group and the Mondo Group are dependent on numerous raw materials from various sources. The most important raw materials for the Elementis Group are clays, a variety of specialty chemicals made from chemical building blocks including oil, ethylene and acrylates, and metals such as chrome ore, aluminium and zirconium. The most important raw material for the Mondo Group is talc, which it sources both from its own talc mines and imports from third party suppliers.

Although the Mondo Group sources approximately 90% of its talc ore resources from its own mines in Finland, in the event of a long-term supply disruption of raw materials, and provided the Enlarged Group were otherwise unable to secure sufficient supplies of talc ore from alternative sources, the Enlarged Group may not be able to obtain talc ore on a timely basis or in sufficient quantities or qualities, or at all. In such a case, the Enlarged Group may need to enter into contractual relationships with third parties for commercial-scale production of some of its products, in whole or in part, and there can be no assurance that they would be able to do this on a timely basis, in sufficient quantities or on commercially reasonable terms. In addition, the lead time and effort needed to establish a relationship with a new supplier can be lengthy and could result in additional costs, diversion of resources and reduced production yields. Accordingly, any long-term disruption to the supply of raw materials (including, for the Enlarged Group, talc ore) could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

Any disruption in the supply of raw materials or increases in the costs of raw materials could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.8 Significant fluctuations in the prices of certain commodities, particularly nickel and cobalt, may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Mondo Group derives a portion of its revenues from the sale of certain co-products of talc production, including nickel, cobalt and magnesite. On 22 November 2017, the Mondo Group entered into an offtake contract (with a term of ten years from 1 January 2019) for sales of nickel contained in mixed nickel hydroxides at prices derived from certain average market prices for the period connected to the time at which the sale occurs. Accordingly, a portion of the Mondo Group's revenues are dependent on the prevailing market prices for these co-products, which are outside of its control.

Historically, nickel and cobalt prices have been subject to wide fluctuations and are affected by numerous factors beyond the Mondo Group's control, including international macro-economic conditions and outlook, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. The market prices of nickel and

cobalt have been, and may in the future be, subject to rapid short-term changes. For example, in 2013, the price of nickel dropped too low for processing of the co-product to be profitable, and as a result monetisation of nickel slowed down for several years. Protracted periods of low market prices or any decline in the price of these co-products, particularly nickel and cobalt, may result in lower operating profits and cash flows, and could materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.9 *The businesses of the Elementis Group and the Mondo Group rely on intellectual property and other proprietary know-how and any failure to adequately protect or effectively to enforce their proprietary rights could harm their competitive positions. Further, the Enlarged Group may infringe the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its products.*

The success of the Elementis Group and the Mondo Group depends on their ability to protect and preserve intellectual property and other proprietary know-how including processes, apparatuses, technology, trade secrets, trade names and proprietary production expertise, methods and compounds, and any failure to protect such intellectual property and know-how could harm the competitive position of the Enlarged Group. In particular, the Mondo Group relies on its proprietary flotation process know-how and formulation expertise which does not benefit from patent or other similar legal protections. The Mondo Group also relies on licensed technology for its bioleaching operations, which may have increasing strategic significance for the Enlarged Group in the future. Any failure to protect proprietary know-how or to maintain the right to use licensed intellectual property could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Enlarged Group may be unable to prevent third parties from using its intellectual property and other proprietary know-how without authorisation, including as a result of industrial espionage or failures of workplace security which may lead to the disclosure of business secrets. Such incidents could disrupt key operations, increase operating costs, distract management attention and result in reputational damage. If the Enlarged Group decides to initiate litigation in respect of intellectual property and other proprietary know-how, any proceedings could be burdensome and costly and may be unsuccessful.

There is also a risk of third parties independently developing intellectual property and proprietary know-how that is similar to the intellectual property and proprietary know-how of the Elementis Group or the Mondo Group, particularly in jurisdictions where the laws do not afford comprehensive protection of proprietary rights. Any such developments may reduce or eliminate any competitive advantages that have been developed and cause the Enlarged Group to lose sales.

Many of the competitors of the Elementis Group and the Mondo Group also have a substantial amount of intellectual property and other proprietary know-how. There can be no assurance that the processes, products and other activities of the Enlarged Group do not and will not infringe upon issued patents (whether present or future) or other proprietary rights belonging to third parties or that the Enlarged Group will not be found liable for infringement of such third party patents and rights or required to take remedial or curative actions to continue their production and sales activities with respect to one or more products that are found to be infringing.

If the Enlarged Group were to discover that any of its processes, technologies or products infringed upon the valid intellectual property rights of others, they may need to obtain licences from the owners of such rights or to modify their processes or technologies or re-engineer their products in order to avoid infringement. The Enlarged Group may not be able to obtain the necessary licences on acceptable terms, or at all, or be able to modify its processes or technologies or re-engineer their products in a manner that is successful in avoiding infringement. Moreover, if the Enlarged Group is sued for infringement and loses, it could be required to pay substantial damages and/or be enjoined from using or selling the infringing products or technology. Intellectual property litigation often is expensive and time-consuming, regardless of the merits of any claim, and involvement in such litigation could also divert management's attention from operating the business.

2.10 *The level of the Mondo Group’s talc resources and reserves and mineral processing capabilities and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected.*

The resources and reserves information presented in this Circular are estimates only and are based on reports prepared by technical expert SRK Consulting (UK) Limited (“SRK”), and do not reflect events and activities subsequent to the relevant report dates. In general, estimates of resources and reserves and the future revenue therefrom are inherently uncertain, as they are based on a number of factors and assumptions made as of the date on which the resources and reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the properties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results.

Notably, the estimation of talc resources and talc reserves are subjective processes that depend on multiple variables and assumptions, including:

- quantity and quality of data;
- interpretation of the available geological data;
- future talc prices;
- capital expenditure requirements;
- effectiveness of the applied technologies and equipment;
- future operating costs, tax, development costs and remedial costs;
- effects of regulations adopted by governmental agencies; and
- the judgment of the persons preparing the estimates.

As all reserve estimates are subjective, each of the following items may differ materially from those assumed in estimating reserves:

- the quantities and qualities that are ultimately recovered;
- the production and operating costs incurred; and
- future talc prices.

The resources and reserves information set out and referred to in this Circular may not reflect actual resources and reserves or be comparable to similar information reported by other companies. The cash flow model prepared by SRK to support the reserve estimates given in its competent person’s report is based on a conceptual life of mine plan because the Mondo Group has not forecasted beyond the next five years. In addition, the new mineral processing capabilities of the Mondo Group have only recently been improved, meaning that projected processing rates may prove to be higher than actual processing rates. If the assumptions upon which the estimates of the Mondo Group’s talc resources, talc reserves and mineral processing capabilities prove to be incorrect, or if the actual resources and reserves available to the Mondo Group are otherwise less than current estimates or of a lesser quality than expected, the Enlarged Group may be unable to recover and produce the estimated levels or quality of talc set out in this Circular, which may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.11 *The Elementis Group and the Mondo Group are subject to extensive laws and other standards and the Enlarged Group’s mining processes are subject to stringent regulation and certain hazards.*

The Elementis Group and the Mondo Group are subject to extensive and evolving environmental, occupational safety laws, product safety laws, and standards at the international, national and local levels in multiple jurisdictions. Many of these laws and regulations have become more stringent over time and the costs of compliance with these requirements may continue to increase, including costs associated with any necessary capital investments. New regulations restricting the use or carriage of chemicals can lead to the loss of applications and sales, and any non-compliance or suspected non-compliance could lead to major regulatory investigations or enforcement actions, which could

cause distraction of management, reputational damage, higher operating costs, business interruptions and material fines and claims for damages. Currently, the Elementis Group operates, or others operate on its behalf, 19 production sites in 6 countries. After the Acquisition, the Enlarged Group is expected to operate, or have others operate on its behalf, 27 production sites in 8 countries.

Mining processes are subject to stringent regulations and numerous risks and hazards. Such risks and hazards include, but are not limited to:

- earthquakes and/or seismic activity;
- environmental hazards, including the discharge of concentrates, pollutants or hazardous chemicals;
- industrial accidents, including in connection with the operation of mining equipment and conveyor systems, the preparation and ignition of blasting operations and the processing and transportation of chemicals and other materials;
- flooding of mining pits;
- unexpected geological formations or conditions;
- failure of mining pit slopes and tailings dam walls; and
- other natural phenomena, such as lightning, heavy rain or other inclement weather conditions.

The occurrence of one or more of these risks and hazards in connection with the Enlarged Group's mining operations may result in the death of, or personal injury to employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, environmental damage and potential legal liabilities, any of which could have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

Although the Elementis Group has experience managing its hectorite mine in California, mining in Finland (where the Mondo Group's talc mines are located) is subject to different regulatory and cultural standards and the Enlarged Group may not effectively adjust to or manage within such standards. Moreover, it may prove difficult for the Elementis Group's managers to develop a level of trust and work effectively with works councils in Finland and the Netherlands.

Moreover, the Enlarged Group's mines in Finland and California are subject to stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment, chemical safety and other matters. Compliance with mining and related laws and regulations generally increases the costs of operations and any non-compliance or suspected non-compliance could lead to major regulatory investigations or enforcement actions, which could cause distraction of management, reputational damage, higher operating costs, business interruptions and material fines and claims for damages.

2.12 Fluctuations in currency exchange rates may significantly impact the results of operations of the Enlarged Group.

The operations of the Enlarged Group will be conducted by subsidiaries in many countries. The results of the operations and the financial position of these subsidiaries are reported in the relevant foreign currencies and then translated into US dollars at the applicable exchange rates for inclusion in the consolidated financial statements at group level. Although a large part of the Elementis Group's business is transacted in US dollars, the Elementis Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. The Acquisition will increase the portion of euro-denominated assets, liabilities and earnings of the Enlarged Group as a result of the significant business of the Mondo Group in Europe. As a result, the results of operations and financial condition of the Enlarged Group will be more sensitive to fluctuations in the exchange rate of the US dollar against the Euro and currency fluctuations may affect the comparability of the results of operations of the Enlarged Group between financial periods.

The Enlarged Group will be subject to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the relevant subsidiary.

Although the Elementis Group engages in certain hedging transactions (including through the use of forward exchange contracts) and by buying or selling foreign currency in an attempt to address imbalances, given the potential volatility of international exchange rates, there can be no assurance that the Enlarged Group will be able to effectively manage currency risks or that any volatility in currency exchange rates will not have a material adverse effect on the business, financial condition, results of operations, cash flows or prospects of the Enlarged Group.

2.13 *There can be no assurance that the Enlarged Group will be able to renew all necessary licences, certificates, approvals and permits for operations.*

The operations of the Elementis Group and the Mondo Group are subject to various licences, certificates, approvals and permits in different jurisdictions. There is no assurance that the Enlarged Group will be able to renew its licences, certificates, approvals and permits upon their expiration. In addition, the Mondo Group may not always have been in full compliance with the terms of its licences and permits, and may not be able to secure new or amended licences and permits to allow, among other things, planned increases in mining quantities.

The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulation, licences, certificates, approvals or permit requirements relevant to the Enlarged Group's business operations may significantly escalate compliance and maintenance costs or may preclude the Enlarged Group from continuing with existing operations or may limit or prohibit the Enlarged Group from expanding its business. Any such outcomes could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.14 *Generally, the Enlarged Group will not have many long-term contracts with customers and the loss of a significant customer or multiple customers could adversely affect sales and profitability.*

A large proportion of the business of the Elementis Group is, and following the Acquisition a large proportion of the Enlarged Group will be, based primarily upon individual sales orders from large customers. Similarly to the Elementis Group, the Mondo Group typically agrees prices and product specifications with its customers over email or in person on a yearly rather than long-term basis. Large customers of the Enlarged Group generally will have strong negotiating power and could cease to buy products at any time and for any reason. The lack of long-term sales contracts increases the vulnerability of the Enlarged Group to adverse impacts on its results of operations and cash flows in the event that the long-term market competitiveness of the Enlarged Group deteriorates for any reason.

The Mondo Group's talc sales for use in the paper industry (which represented 20% of the Mondo Group's total revenue for the year ended 31 December 2017) are made primarily to a single customer. No assurance can be given that, following the Acquisition, this customer will continue to purchase paper talc products from the Enlarged Group. If this customer were to be acquired by another company, there can be no assurance that the acquirer would continue to contract with the Mondo Group. A decline in the volume or profitability of the Mondo Group's contracts with this customer could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows or prospects.

If multiple customers elected not to purchase products from the Enlarged Group and it was unable to replace revenue generated by such customers, or if a large customer of the Enlarged Group were to experience financial difficulties or enter administration or bankruptcy proceedings, the revenues, profitability, financial condition and results of operations of the Enlarged Group could be adversely affected.

PART III
PRINCIPAL TERMS OF THE ACQUISITION

1. Overview

The Sale and Purchase Agreement was entered into on 13 August 2018 between Elementis, the Purchaser and the Seller, pursuant to which the Purchaser will acquire the entire issued share capital of Mondo at Completion. On 11 September 2018, the Purchaser and the Seller entered into the Amendment Agreement. For further details of the terms of the Sale and Purchase Agreement and the Amendment Agreement, see paragraph 5.1.2 of Part VI (*Additional Information*) of this document.

Furthermore, the CEO, the CFO and the COO of Mondo (the “**Warrantors**”) entered into a warranty agreement with Elementis and the Purchaser on 13 August 2018 (the “**Warranty Agreement**”) pursuant to which the Warrantors will give customary business warranties subject to specific limitations of liability. For further details of the terms of the Warranty Agreement, see paragraph 5.1.3 of Part VI (*Additional Information*) of this document.

The principal terms of the Acquisition are described below.

2. Consideration

Prior to entry into the Amendment Agreement, the initial aggregate cash consideration payable under the Sale and Purchase Agreement was \$404.4 million.

Such cash consideration amount was amended pursuant to the terms of the Amendment Agreement to \$307.2 million, such amount now representing the initial aggregate cash consideration payable under the Sale and Purchase Agreement.

The Amendment Agreement also added provisions to the Sale and Purchase Agreement pursuant to which earn-out payments will be payable to the Seller up to a maximum of \$53 million, subject to the achievement of certain specific performance targets for the financial year ending 31 December 2018 (“**Year 1**”), the financial year ending 31 December 2019 (“**Year 2**”) and the financial year ending 31 December 2020 (“**Year 3**”) (together, the “**Earn-Out Consideration**”). The Earn-Out Consideration is defined in euros and translated into US dollars using a euro exchange rate of \$1.16 per euro.

Specifically, the terms of the Earn-Out Consideration state that if Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo and its subsidiaries for:

- Year 1 is greater than \$47.0 million, then the Seller will be entitled to the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 1 is greater than \$47.0 million, provided that in no circumstances shall the Seller’s maximum entitlement for Year 1 exceed \$3.0 million;
- Year 2 is greater than \$51.0 million, then the Seller will be entitled to “A”, provided that in no circumstances shall the Seller’s maximum entitlement for Year 2 exceed \$25.0 million, where “A” is equal to (“B” x 5) and “B” is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is greater than \$51.0 million (subject to a reduction in the amount payable by the amount by which Earn-Out Adjusted EBITDA for Year 1 was less than \$47.0 million (if applicable)); and
- Year 3 is equal to or greater than \$58.0 million, then the Seller will be entitled to “C”, provided that in no circumstances shall the Seller’s maximum entitlement exceed \$25.0 million, where “C” is equal to (“D” x 5) and “D” is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than \$58.0 million (subject to a reduction in the amount payable by “E” where “E” is the amount by which Earn-Out Adjusted EBITDA for Year 2 was less than €44.0 million (if applicable)).

The following table shows the Earn-Out Consideration for 2018, 2019 and 2020 based on each year’s Earn-Out Adjusted EBITDA, together with the percentage growth relative to 2017 adjusted EBITDA (assuming that there has been no reduction in the Earn-Out Consideration payable for Year 2 or Year 3 as a result of the Earn-Out Adjusted EBITDA being less than \$47.0 million for Year 1 and/or \$51.0 million for Year 2).

	2018 Earn-Out Adjusted EBITDA (\$m)			
	47.0	48.0	49.0	50.0
Earn-Out Consideration (\$m) ⁽¹⁾	0.0	1.0	2.0	3.0
% increase vs. 2017 adjusted EBITDA	30%	33%	36%	38%

	2019 Earn-Out Adjusted EBITDA (\$m)					
	51.0	52.0	53.0	54.0	55.0	56.0
Earn-Out Consideration (\$m) ⁽¹⁾	0.0	5.0	10.0	15.0	20.0	25.0
% increase vs. 2017 adjusted EBITDA	41%	44%	47%	49%	52%	55%

	2020 Earn-Out Adjusted EBITDA (\$m)					
	58.0	59.0	60.0	61.0	62.0	63.0
Earn-Out Consideration (\$m) ⁽¹⁾	0.0	5.0	10.0	15.0	20.0	25.0
% increase vs. 2017 adjusted EBITDA	61%	63%	66%	69%	72%	74%

(1) Earn-Out Consideration defined in euros with potential maximum of €45.7m (translated into US dollars using a euro exchange rate of \$1.16 per euro).

A payment of up to \$10.0 million (as part of the overall maximum of \$53.0 million) will also be payable as part of the Earn-Out Consideration where Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than \$56.0 million and Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than \$63.0 million. Such amount payable will be the lesser of:

- (i) “G” where “G” is equal to ((“H”÷2)x5) and “H” being the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than \$56.0 million; and
- (ii) “I” where “I” is equal to (“J” x 5) and “J” is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than \$63.0 million.

The consideration payable is also subject to locked box adjustments, which will lead to the reduction of the purchase price by the value of any leakage, and adjustments in connection with two disputes between Mondo’s Finnish subsidiaries and the Finnish tax authorities.

The Elementis Group intends to satisfy the cash consideration out of the proceeds of the Rights Issue, utilisation of the New Debt Facilities and existing cash resources.

The Elementis Group will procure repayment of 100% of Mondo’s financial indebtedness at Completion.

3. Conditions

Completion of the Acquisition is conditional upon:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Elementis shareholders passing an ordinary resolution at a general meeting; and
- the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained

(together, the “**Conditions**”).

The approval of the anti-trust authorities in Brazil and Germany was obtained on 8 August 2018 and 25 July 2018, respectively.

4. Works Council Consultation

The entry into the Sale and Purchase Agreement and the Warranty Agreement was subject to Mondo Minerals B.V. having completed the customary consultation procedures with its works council. Elementis, the Purchaser, the Seller and the Warrantors therefore signed an agreement dated 29 June 2018 setting out the procedures for the works council process (the “**Signing Protocol**”). For further details of the terms of the Signing Protocol, see paragraph 5.1.1 of Part VI (*Additional Information*) of this document. The Company announced on 13 August 2018 that consultation procedures with Mondo Minerals B.V.’s works council in connection with the Acquisition had completed.

5. Warranties and Warranty and Indemnity insurance

The Seller will give fundamental title and capacity warranties in favour of the Purchaser under the Sale and Purchase Agreement. The Seller's liability in relation to such warranties is limited to the initial cash consideration paid to the Seller in respect of the Mondo shares plus the portion of the escrow amount actually released to the Seller. The time limit for claims under the Sale and Purchase Agreement will be eighteen months from Completion.

Under the Warranty Agreement, the Warrantors will give certain business warranties in favour of the Purchaser. Save in the event of fraud, the Warrantors' liability for all warranties is limited to \$1. The time limit for claims (other than tax claims) under the Warranty Agreement will be eighteen months from Completion. The time limit for tax claims will be the expiry of the statute of limitations relating to the applicable category of tax.

The Elementis Group intends to obtain warranty and indemnity insurance in respect of the warranties contained in the Sale and Purchase Agreement and the Warranty Agreement, subject to certain specified limitations agreed with the insurer. The insurance will also cover certain tax liabilities arising in Mondo or its subsidiaries in relation to the period before Completion.

6. Conduct of the Mondo business prior to Completion

The Seller has agreed that prior to Completion, except as required by applicable law or consented to by the Purchaser, and subject to certain agreed exceptions, it will, within the limit of its authority as shareholder of Mondo, instruct and use all reasonable efforts to ensure that Mondo and its subsidiaries operate and conduct their activities in the ordinary course of business consistent with past practice. In addition, except as required by applicable law or consented to by the Purchaser, the Seller, within the limit of its authority as shareholder of Mondo, shall ensure that none of the Mondo Group companies will take specified actions, including the declaration or payment of dividends, making capital expenditures and incurring any indebtedness (subject to agreed exceptions).

The Seller has agreed to use its reasonable endeavours to ensure that Mondo and its subsidiaries will cooperate with the Purchaser in fulfilling any tasks regarding the repayment of Mondo's financial indebtedness and the release of any encumbrances pursuant to the existing facilities agreement and a loan from Advent Mondo (Luxembourg) Finance S.à r.l. (an affiliate of the Seller).

The Seller has authorised the Purchaser and its representatives to have reasonable access to Mondo's CEO, CFO and COO and, subject to the prior written consent of the CEO, the CFO or the COO and under their supervision, to the management and premises as is reasonably required to facilitate the ownership transition process, to the extent that such access complies with applicable law and does not unreasonably interfere with the operations of Mondo and its subsidiaries.

The Seller has agreed that, in the period between the date of the Sale and Purchase Agreement and Completion, it shall take all reasonable steps and provide all reasonable assistance as requested by the Purchaser to seek a waiver by the Amsterdam Harbour Authority (*Havenbedrijf Amsterdam*) of any applicable change of control provision contained in the conditions to the various leasehold interests of Mondo in Amsterdam in relation to the Acquisition.

The Purchaser has agreed to use its best endeavours to obtain the satisfaction of the Conditions and other actions which are required for the Rights Issue to be completed and for the sums due under the New Debt Facilities to be drawn, in order to pay the purchase price.

7. Termination

7.1 Termination by the Seller or the Purchaser

The Sale and Purchase Agreement may be terminated by either or both of the Seller and the Purchaser in the following circumstances:

- (i) the Conditions have not been satisfied or deemed to be satisfied (or waived) at the latest by midnight on 31 December 2018 (the "**Longstop Date**");

- (ii) the Resolution, has not been passed by midnight on the Extended Shareholder Approval Longstop Date (as defined below); and
- (iii) the Resolution is voted on but not duly passed at the General Meeting.

7.2 *Termination by the Seller*

The Sale and Purchase Agreement may be terminated by the Seller in the following circumstances:

- (i) the Purchaser fails to make the required payments at Completion. Alternatively the Seller is entitled to effect Completion so far as practicable having regard to the defaults which have occurred, or set a new date for Completion; and
- (ii) the General Meeting has not taken place by midnight on 11 October 2018 (the “**Shareholder Approval Longstop Date**”). Alternatively, the Seller may reset the Shareholder Approval Longstop Date at a date which is consistent with the required duration to pass the Resolution and is no later than eight weeks after the Shareholder Approval Longstop Date (the “**Extended Shareholder Approval Longstop Date**”).

7.3 *Termination by the Purchaser*

The Sale and Purchase Agreement may be terminated by the Purchaser in circumstances where the Seller fails to comply with its obligation to deliver the original shareholders’ register of Mondo at Completion. Alternatively, the Purchaser is entitled to effect Completion so far as practicable having regard to the defaults which have occurred or set a new date for Completion.

8. Break Fee

The Purchaser has agreed to pay a break fee to the Seller of \$17.1 million in the event that the Sale and Purchase Agreement is terminated under the termination rights set out under paragraph 7.1(ii), 7.1(iii) or 7.2(ii) above.

PART IV

HISTORICAL FINANCIAL INFORMATION RELATING TO THE MONDO GROUP

The unaudited condensed consolidated financial statements for the Mondo Group for the six months ended 30 June 2018 and the audited consolidated financial statements for the Mondo Group for the years ended 31 December 2017, 2016 and 2015 as set out in Part XIX (*Historical Financial Information relating to the Mondo Group*) of the Prospectus are incorporated by reference into this Part IV pursuant to Rules 13.4 and 13.5 of the Listing Rules, as described in paragraph 2 of Part VI (*Additional Information*) of this Circular. The condensed unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 that has been incorporated by reference into this Circular has been prepared in accordance with IAS 34 (Interim Financial Statements). The audited historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 that has been incorporated by reference into this Circular has been prepared in accordance with IFRS.

The Directors confirm that the Historical Financial Information relating to the Mondo Group is prepared in a form consistent with the accounting policies adopted in the Company's latest annual consolidated accounts.

PART V

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

Section A: Unaudited Pro Forma Financial Information for the Enlarged Group

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Rights Issue, New Debt Facilities and Acquisition (together, the “**Transactions**”) on the net assets of the Elementis Group as at 30 June 2018 as if the Transactions had taken place on 30 June 2018 and on the consolidated statements of profit or loss of the Elementis Group for the year ended 31 December 2017 and the six months ended 30 June 2018 as if the Transactions had taken place on 1 January 2017 and 1 January 2018, respectively (together the “**Unaudited Pro Forma Financial Information**”). The Unaudited Pro Forma Financial Information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets of the Enlarged Group as at 30 June 2018 is based on the unaudited consolidated net assets of the Elementis Group as at 30 June 2018 and the unaudited consolidated net assets of the Mondo Group as at 30 June 2018 and has been prepared on the basis that the Transactions had taken place on 30 June 2018 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018.

The unaudited pro forma statement of profit or loss of the Enlarged Group for the year ended 31 December 2018 is based on the consolidated income statement of the Elementis Group for the year ended 31 December 2017 and the consolidated income statement of the Mondo Group for the year ended 31 December 2017 prepared on the basis that the Transactions were effective at 1 January 2017 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the audited financial statements of the Elementis Group for the year ended 31 December 2017.

The unaudited pro forma statement of profit or loss of the Enlarged Group for the six months ended 30 June 2018 is based on the unaudited interim condensed consolidated income statement of the Elementis Group for the six months ended 30 June 2018 and the unaudited interim condensed consolidated income statement of the Mondo Group for the six months ended 30 June 2018 and prepared on the basis that the Transactions were effective at 1 January 2018 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018.

Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group’s actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation.

Unaudited Pro Forma Consolidated Statement of Net Assets of the Enlarged Group as at 30 June 2018

	Adjustments								
	Elementis	Mondo	Mondo	Acquisition of Mondo	Equity raised by Rights Issue	Repayment of Mondo debt	Replacement of Elementis debt	Transaction Costs	Pro Forma
	Note 1 \$m	Note 2 €m	Note 3 \$m	Note 4 \$m	Note 5 \$m	Note 6 \$m	Note 7 \$m	Note 8 \$m	\$m
Non-current assets									
Goodwill and other intangible assets	707.8	77.0	89.9	174.0	—	—	—	—	971.7
Property, plant and equipment	223.2	194.4	227.1	—	—	—	—	—	450.3
ACT recoverable	12.6	—	—	—	—	—	—	—	12.6
Deferred tax assets	0.5	—	—	—	—	—	—	—	0.5
Total non-current assets	944.1	271.4	317.0	174.0	—	—	—	—	1,435.1
Current assets									
Inventories	151.8	19.6	22.9	—	—	—	—	—	174.7
Trade and other receivables	139.1	22.0	25.6	6.5	—	—	(4.5)	—	166.7
Derivatives	2.1	—	—	—	—	—	—	—	2.1
Current tax asset	4.5	0.0	—	—	—	—	—	—	4.5
Cash and cash equivalents	57.4	33.0	38.5	(307.2)	230.0	(213.6)	281.3	(18.5)	67.9
Total current assets	354.9	74.6	87.0	(300.7)	230.0	(213.6)	276.8	(18.5)	415.9
Assets classified as held for sale	—	—	—	—	—	—	—	—	0
Total assets	1,299.0	346.0	404.0	(126.7)	230.0	(213.6)	276.8	(18.5)	1,851.0
Current liabilities									
Bank overdrafts and loans	(4.7)	—	—	—	—	—	—	—	(4.7)
Trade and other payables	(114.2)	(17.9)	(20.9)	—	—	—	—	1.2	(133.9)
Derivatives	—	—	—	—	—	—	—	—	—
Current tax liabilities	(26.3)	(22.5)	(26.3)	—	—	—	—	—	(52.6)
Provisions	(9.0)	—	—	—	—	—	—	—	(9.0)
Total current liabilities	(154.2)	(40.4)	(47.2)	—	—	—	—	1.2	(200.2)
Non-current liabilities									
Loans and borrowings	(312.3)	(299.3)	(349.4)	135.8	—	213.6	(281.3)	—	(593.6)
Employee retirement benefits	(10.1)	—	—	—	—	—	—	—	(10.1)
Deferred tax liabilities	(92.9)	(11.7)	(13.7)	—	—	—	—	—	(106.6)
Provisions	(21.5)	(2.4)	(2.8)	—	—	—	—	—	(24.3)
Total non-current liabilities	(436.8)	(313.4)	(365.9)	135.8	—	213.6	(281.3)	—	(734.6)
Liabilities classified held for sale	—	—	—	—	—	—	—	—	—
Total liabilities	(591.0)	(353.8)	(413.1)	135.8	—	213.6	(281.3)	1.2	(934.8)
Net assets	708.0	(7.8)	(9.1)	9.1	230.0	—	(4.5)	(17.3)	916.2

- (1) The net assets information of the Elementis Group as at 30 June 2018 has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group as at and for the six months ended 30 June 2018.
- (2) The net assets information of the Mondo Group as at 30 June 2018 has been extracted without material adjustment from the consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are incorporated into this Circular by reference as explained in paragraph 2 of Part VI (*Additional Information*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

- a) Other finance assets of €57,000 have been reclassified as goodwill and other intangible assets;
 - b) Other non-current assets of €69,000 have been reclassified as property, plant and equipment as they relate to leased assets;
 - c) Other current assets of €6.69 million have been reclassified as trade and other receivables;
 - d) Other current liabilities of €5.05 million have been reclassified as trade and other payables; and
 - e) Other non-current liabilities of €22.246 million have been reclassified as current tax liabilities as they relate to a tax refund received that is currently being appealed by the Finnish tax authorities but may fall due for payment within 12 months.
- (3) The individual assets and liabilities of the Mondo Group as at 30 June 2018 have been translated into US dollars using a euro exchange rate of \$1.1675 per euro which represents the Bank of England closing rate as at 30 June 2018.
- (4) The adjustment in Note 4 reflects the acquisition of the Mondo Group by Elementis. The net consideration payable will consist of a cash payment of \$307.2 million, representing \$171.4 million in net cash paid for the Acquisition plus the settlement of the shareholder loan of €116.3 million (\$135.8 million translated at an exchange rate of 1.1675 at 30 June 2018, the Bank of England closing rate as at 30 June 2018). In the event settlement of the tax dispute (Note 2e) is in excess of the amount currently held in a segregated bank account, the amount of any such excess shall be released back to Elementis from the escrow account paid into by the Seller. As such, an indemnification asset of €5.6 million (\$6.5 million) limiting Elementis' exposure to the reported €22.2 million tax liability has been recognised. The estimated fair value of contingent consideration, the payment of which is contingent on the future performance of Mondo BV, is immaterial and therefore no amount has been reflected in the net consideration payable. The range of contingent consideration as set out in Part VIII (*Principal Terms of the Acquisition*) of this document is \$0.0 million to \$53.0 million. Any change in the estimated fair value of the contingent consideration at the acquisition date would increase the pro forma goodwill adjustment calculated below.

The adjustment to goodwill has been calculated as follows:

All figures \$m	
Acquisition net cash paid	171.4
Plus book value of liabilities acquired	9.1
Less value of indemnification asset	<u>(6.5)</u>
Pro forma goodwill adjustment	174.0

Elementis has not completed a purchase price allocation for the Acquisition in accordance with IFRS 3 (*Business Combinations*). Therefore, none of the purchase price has been allocated to intangible assets in the pro forma financial information. Instead, all of the difference between the purchase price and net assets/liabilities has been allocated to goodwill.

- (5) The adjustment in Note 5 reflects the receipt of the proceeds of the Rights Issue of 116,044,829 shares at 152.0 pence per share. The proceeds receivable by the Company are £176.4 million which equates to approximately \$230 million at an exchange rate of \$1.3025 per pound sterling, the Bank of England closing rate as at 10 September 2018, the most recent practical date. Elementis intends to use the proceeds of the Rights Issue towards the funding of the Acquisition. Elementis intends to enter into a forward sale of these sterling proceeds to US dollars to limit the foreign exchange risk arising from the Rights Issue and therefore, the actual proceeds may differ from that assumed in the pro forma.
- (6) The adjustment in Note 6 reflects the settlement of the existing Mondo Group external debt of €182.9 million (\$213.6 million translated at an exchange rate of \$1.1675 per euro, the Bank of England closing rate as at 30 June 2018) present in the 30 June 2018 balance sheet.
- (7) The adjustment in Note 7 reflects the drawdown of \$600.0 million from the new \$775.0 million facility and settlement of the existing Elementis debt of \$312.3 million. Associated costs of \$6.4 million incurred in the set-up of the new facility will be paid from existing cash balances and \$4.5 million unamortised issue costs for the current Elementis facility will be written off. The drawdown is expected to occur in the following currencies: \$400.0 million in US dollar and \$200.0 million in euro, converted at the following 30 June 2018 exchange rate: \$1.1675 per euro. The currency allocations and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

- (8) The adjustment in Note 8 reflects administrative transaction costs relating to the Rights Issue and external advisers, lawyers and professional fees of \$18.5 million incurred as part of the Acquisition, less \$1.2 million already incurred but not paid. Of these costs, \$5.0 million relate solely to the cost of the Rights Issue and have therefore been presented in equity in accordance with IFRS 3 (*Business Combinations*).

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the year ended 31 December 2017

	Elementis	Mondo	Mondo	Adjustments			Pro Forma
				Replacement of Mondo debt	Repayment of Elementis debt	Transaction Costs	
	Note 1 \$m	Note 2 €m	Note 3 \$m	Note 4 \$m	Note 5 \$m	Note 6 \$m	\$m
Revenue	782.7	122.0	137.0	—	—	—	919.7
Costs of sales	(487.6)	(73.9)	(83.0)	—	—	—	(570.6)
Gross Profit	295.1	48.0	54.0	—	—	—	349.1
Distribution costs	(98.1)	(21.1)	(23.7)	—	—	—	(121.8)
Administrative expenses	(105.6)	(11.6)	(13.0)	—	—	(13.5)	(132.1)
Operating profit/(loss)	91.4	15.4	17.3	—	—	(13.5)	95.2
Other expenses	(1.2)	—	—	—	—	—	(1.2)
Finance Income	0.2	0.3	0.4	—	—	—	0.6
Finance costs	(11.9)	(33.2)	(37.3)	31.2	(17.1)	—	(35.1)
Profit/(loss) before income tax	78.5	(17.5)	(19.6)	31.2	(17.1)	(13.5)	59.5
Tax	34.2	1.2	1.3	(6.2)	3.3	—	32.5
Profit from continuing operations	112.7	(16.3)	(18.3)	25.0	(13.8)	(13.5)	92.1
Profit from discontinued operations	4.9	—	—	—	—	—	4.9
Profit/(loss) for the year	117.6	(16.3)	(18.3)	25.0	(13.8)	(13.5)	97.0

- (1) The income statement information of the Elementis Group has been extracted without material adjustment from the audited consolidated financial statements of the Elementis Group for the year ended 31 December 2017.
- (2) The income statement information of the Mondo Group has been extracted without material adjustment from the audited consolidated financial statements of the Mondo Group for the year ended 31 December 2017 which are incorporated into this Circular by reference as explained in paragraph 2 of Part VI (*Additional Information*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:
- Other operating income of €242,000 has been reclassified as administrative expenses.
- (3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of \$1.1237 per euro, which represents the average rate for the year ended 31 December 2017.
- (4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the year ended 31 December 2017. As this debt sits primarily within Finland where it has benefitted from a tax deduction at 20.0%, removal of this interest cost increases the tax charge by \$6.2 million.
- (5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of \$6.1 million at 1 January 2017 and associated amortisation during the year of \$1.0 million. Fees of \$6.4 million associated with the new debt facility have been capitalised; however, a charge of \$1.3 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of \$9.7 million associated with the existing debt arrangements for the year ended 31 December 2017, and replacement with pro forma annual interest costs of \$20.4 million for the Enlarged Group had the debt arrangements

post-Acquisition been in place from 1 January 2017. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): \$400.0 million in US dollars at 3.73%, and \$200.0 million in euro at 2.5%. An increase of 0.125% in interest rates would result in an increased charge for the period of \$0.5 million. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19.25% for the 2017 calendar year.

- (6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. This adjustment does not have a continuing impact.
- (7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 31 December 2017.
- (8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the six months ended 30 June 2018

	Adjustments						Pro Forma
	Elementis	Mondo	Mondo	Repayment of Mondo debt	Replacement of Elementis debt	Transaction Costs	
	Note 1 \$m	Note 2 €m	Note 3 \$m	Note 4 \$m	Note 5 \$m	Note 6 \$m	
Revenue	421.4	71.2	87.1	—	—	—	508.5
Costs of sales	(265.9)	(44.9)	(54.8)	—	—	—	(320.7)
Gross Profit	155.5	26.3	32.3	—	—	—	187.8
Distribution costs	(56.3)	(9.9)	(12.1)	—	—	—	(68.4)
Administrative expenses	(43.0)	(6.7)	(8.2)	—	—	(12.3)	(63.4)
Operating profit/(loss)	56.2	9.7	12.0	—	—	(12.3)	56.0
Other expenses	(1.3)	—	—	—	—	—	(1.3)
Finance Income	0.3	0.3	0.4	—	—	—	0.7
Finance costs	(8.4)	(14.8)	(18.1)	17.4	(9.4)	—	(18.5)
Profit/(loss) before income tax	46.8	(4.8)	(5.7)	17.4	(9.4)	(12.3)	36.8
Tax	(15.9)	1.0	1.2	(3.5)	1.8	—	(16.4)
Profit from continuing operations	30.9	(3.8)	(4.5)	13.9	(7.6)	(12.3)	20.4
Profit from discontinued operations	(0.1)	—	—	—	—	—	(0.1)
Profit/(loss) for the period	30.8	(3.8)	(4.5)	13.9	(7.6)	(12.3)	20.3

- (1) The income statement information of the Elementis Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018.
- (2) The income statement information of the Mondo Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are incorporated into this Circular by reference as explained in paragraph 2 of Part VI (*Additional Information*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:
 - a) Other operating income of €87,000 has been reclassified as administrative expenses.
- (3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of \$1.2223 per euro, which represents the average rate for the six months ended 30 June 2018.
- (4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the six months ended 30 June 2018.
- (5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of \$5.1 million at 1 January 2018 and associated amortisation during the six months ended 30 June 2018 of \$0.6 million. Fees of \$6.4 million associated with the new debt facility have been capitalised; however, a charge of \$0.7 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of \$7.7 million associated with the existing debt arrangements for the six months ended 30 June 2018, and replacement with pro forma interest costs of \$11.9 million for the Enlarged Group had the debt arrangements post-Acquisition been in place from 1 January 2018. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): \$400.0 million in US dollars at 4.59%, and \$200.0 million in euro at 2.5% converted at the following exchange rate \$1.2223 per euro (based on the 2018 average exchange rates) applicable for the six months ended 30 June 2018. An increase of 0.125% in interest rates would result in an increased charge for the period of \$0.3 million. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19% for the six-month period.

- (6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. In the six months ended 30 June 2018, \$1.2 million of administrative expenses associated with the Acquisition were already incurred. This adjustment does not have a continuing impact.
- (7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 30 June 2018.
- (8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

Section B: Accountant's report on Unaudited Pro Forma Financial Information

The Directors
Elementis plc
Caroline House
55-57 High Holborn
London WC1V 6DX

UBS Limited
5 Broadgate
London EC2M 2QS

11 September 2018

Ladies and gentlemen:

Elementis plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in section A of Part V of this Circular dated 11 September 2018 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Rights Issue, New Debt Facilities and the Acquisition of Mondo Minerals Holding BV might have affected the financial information presented, on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2017, for the six month period ended 30 June 2018 and as at 30 June 2018. This report is required by Commission Regulation (EC) No 809/2004 (the "**PD Regulation**") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex I to the PD Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you in accordance with item 7 of Annex II of the PD Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in this Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP

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PART VI
ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names are set out at the beginning of Part I (*Letter from the Chairman*) of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information incorporated by reference

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

To the extent that any document or information is incorporated by reference or attached to this Circular itself incorporates any information by reference, such information will not form part of this Circular unless otherwise explicitly stated to be incorporated herein.

The Prospectus, which has been published by Elementis and filed with the FCA and is available for inspection in accordance with paragraph 8 of this Part VI (*Additional Information*) of this Circular, contains information about the Elementis Group which is relevant to this Circular. The table below is intended to enable Shareholders to identify easily the location of specific items of information in the Prospectus:

<u>Section of the Prospectus</u>	<u>Information incorporated by reference</u>	<u>Page number(s)</u>
Part XII (<i>Information on the Mondo Group</i>) . . .	Information on the Mondo Group	93–101
Part XVII (<i>Operating and Financial Review of the Mondo Group</i>)	Operating and Financial Review of the Mondo Group	130–140
Part XIX (<i>Historical Financial Information relating to the Mondo Group</i>)	Historical Financial Information relating to the Mondo Group	143–189
Paragraph 1 of Part XXII (<i>Directors and Corporate Governance</i>)	Details of key Elementis individuals	216
Paragraph 2 of Part XXIII (<i>Additional Information</i>)	Company details of Elementis	216
Paragraph 8 of Part XXIII (<i>Additional Information</i>)	Elementis Directors' interests in Elementis' shares	231–236
Paragraph 10 of Part XXIII (<i>Additional Information</i>)	Elementis Directors' service contracts	236–237
Paragraph 13 of Part XXIII (<i>Additional Information</i>)	Major interests in Elementis' shares	239
Paragraph 17 of Part XXIII (<i>Additional Information</i>)	Related party transactions of Mondo	240–241
Appendix 1 (<i>Competent Person's Report</i>)	Competent Person's Report	A1–A99

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 8 of this Part VI (*Additional Information*) of this Circular, contain information about the Elementis Group which is relevant to this Circular:

- Elementis' Interim Results Announcement 2018, containing Elementis' consolidated financial statements for the 6 months ended 30 June 2018, together with a review report in respect of that period and a discussion of Elementis' financial performance;
- Elementis' Annual Report 2017, containing Elementis' audited consolidated financial statements for the year ended 31 December 2017, together with an audit report in respect of that period and a discussion of Elementis' financial performance;

- Elementis' Annual Report 2016, containing Elementis' audited consolidated financial statements for the year ended 31 December 2016, together with an audit report in respect of that period and a discussion of Elementis' financial performance; and
- Elementis' Annual Report 2015, containing Elementis' audited consolidated financial statements for the year ended 31 December 2015, together with an audit report in respect of that period and a discussion of Elementis' financial performance.

The table below is intended to enable Shareholders to identify easily the location of specific items of information in the reference document indicated:

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Page number(s)</u>
Elementis' Interim Results Announcement 2018	Page 12 (<i>Related party transactions</i>) of the Elementis' Interim Results Announcement 2018	12
Elementis' Annual Report 2017	Note 25 (<i>Related party transactions</i>) of the notes to the audited consolidated financial statements for the Elementis Group for the year ended 31 December 2017	126
Elementis' Annual Report 2016	Note 25 (<i>Related party transactions</i>) of the notes to the audited consolidated financial statements for the Elementis Group for the year ended 31 December 2016	107
Elementis' Annual Report 2015	Note 25 (<i>Related party transactions</i>) of the notes to the audited consolidated financial statements for the Elementis Group for the year ended 31 December 2015	89

3. Working capital

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.

4. Significant change

There has been no significant change in the financial or trading position of the Elementis Group since 30 June 2018, being the date of the last interim financial information published by the Elementis Group.

There has been no significant change in the financial or trading position of the Mondo Group since 30 June 2018, being the date of the last interim financial information incorporated by reference in to this document.

5. Material contracts

5.1 Elementis material contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Elementis Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Elementis Group which contains any provision under which any member of the Elementis Group has any obligation or entitlement which is material to the Elementis Group as at the date of this document:

5.1.1 Signing Protocol

On 29 June 2018, Elementis, the Purchaser, the Seller and the Warrantors entered into the Signing Protocol. The Signing Protocol governed the conduct of the parties in relation to the consultation

process with the works council of Mondo Minerals B.V. The Signing Protocol was governed by Dutch law and the key terms are summarised below:

(a) Execution of the Sale and Purchase Agreement

Elementis, the Purchaser and the Warrantors irrevocably committed to execute the Sale and Purchase Agreement as soon as possible but in any event within five Business Days after the delivery by the Seller to the Purchaser of a notice confirming that the works council of Mondo has completed its consultation. On 13 August 2018, the Sale and Purchase Agreement was entered into between Elementis, the Purchaser and the Seller. See “—*Sale and Purchase Agreement*” below.

The Signing Protocol remained in force until 13 August 2018, the date on which the Sale and Purchase Agreement was executed.

In addition, Elementis, the Purchaser and the Warrantors irrevocably committed to execute the Warranty Agreement, subject to the receipt of the notice referred to above. On 13 August 2018, the Warrantors entered into the Warranty Agreement with Elementis and the Purchaser. See “—*Warranty Agreement*” below.

(b) Commitment

The validity and enforceability of the undertakings of the Company, the Purchaser and the Seller under the Sale and Purchase Agreement were not subject to the execution of the Sale and Purchase Agreement.

(c) Consultation process

Pursuant to the Signing Protocol, Elementis, the Purchaser and the Seller were required to take all necessary steps to ensure completion of the works council consultation without undue delay. In addition, the Signing Protocol contained a number of specific obligations on the parties in relation to the works council consultation process.

(d) Covenants

Pursuant to the Signing Protocol, the Seller provided an exclusivity undertaking and undertook to comply with the covenants in the Sale and Purchase Agreement.

Elementis unconditionally and irrevocably guaranteed to the Seller the due and punctual performance by the Purchaser of its obligations under the Signing Protocol.

5.1.2 Sale and Purchase Agreement (as amended by the Amendment Agreement)

On 13 August 2018, the Sale and Purchase Agreement was entered into between Elementis, the Purchaser and the Seller. On 11 September 2018, the Amendment Agreement was entered into between the parties to the Sale and Purchase Agreement amending certain of the provisions set out therein.

Pursuant to the Sale and Purchase Agreement, the Purchaser will acquire the entire issued share capital of Mondo at Completion. The Sale and Purchase Agreement is governed by Dutch law and the key terms are summarised below:

(a) Consideration

Cash consideration

The initial cash consideration of \$307.2 million is subject to locked box adjustments.

Mondo's Finnish subsidiaries are involved in two disputes with the Finnish tax authorities.

In relation to the first such dispute, €28.0 million is split between an escrow account that the Purchaser will pay into at Completion and a segregated bank account. The escrow amount is included in the \$307.2 million cash consideration.

In relation to the second such dispute, the Purchaser will be required to pay an additional €10,875,000 (being a proportion of the determined amount in the dispute) to the Seller in the event that a final determination is made in favour of the relevant subsidiaries of Mondo, with the Mondo Group retaining any amount in excess of such sum.

Elementis will procure repayment of 100% of Mondo's financial indebtedness at Completion. Elementis intends to satisfy the cash consideration out of the proceeds of the Rights Issue, utilisation of the New Debt Facilities and existing cash resources.

Earn-Out Consideration

The Sale and Purchase Agreement includes the Earn-Out Consideration, provisions pursuant to which earn-out payments will be payable to the Seller up to a maximum of €45.7 million (\$53.0 million), subject to the achievement of certain specific performance targets for Year 1, Year 2 and Year 3.

The performance targets are set based on "**Earn-Out Adjusted EBITDA**", which means EBITDA adjusted by:

- (i) adding back any losses on non-recurring or exceptional items (to the extent only that they have been deducted to arrive at EBITDA) and any loss realised on the disposal or revaluation of assets whether tangible or intangible (other than trading stock), but not so that any amount is excluded twice; and
- (ii) deducting any gains on non-recurring or exceptional items (only to the extent that they have been added to arrive at EBITDA) and any gain realised on the disposal or revaluation of assets whether tangible or intangible (other than trading stock), but not so that any amount is excluded twice; and
- (iii) deducting any profit arising out of any release of provisions for liabilities and charges (to the extent only it is included in EBITDA), other than in the normal course of business, but adding back any provisions taken in EBITDA for any future liabilities and charges; and
- (iv) adding back any costs or liabilities incurred by the Mondo Group companies in respect of the Transaction (including the earn-out and the "**Earn-Out Statement**" (meaning the earn-out statement to be prepared in accordance with the Amendment Agreement, which shall include, for each relevant year, (a) the audited consolidated accounts (including a balance sheet, a profit and loss account, a cash flow statement and notes and directors' and auditors' reports thereto) for Mondo and its subsidiaries, (b) the detailed calculation of the Earn-Out Adjusted EBITDA including any adjustment made pursuant to the Amendment Agreement (if any) (the "**Earn-Out Accounts**"), (c) the detailed calculation of the Earn-Out Consideration (if any) in respect of that year and (d) all supporting evidence in connection with the foregoing) but excluding, however, the preparation of audited consolidated financial statements for the Mondo Group companies) and/or the preparation and implementation of the transition of the Mondo Group companies to the Elementis Group; and
- (v) adding back any costs and liabilities incurred by the Mondo Group companies in connection with any reorganisation, rationalisation or restructuring of the Mondo Group companies; and
- (vi) adding back any value extracted by the Seller during the period between the date of the Purchase Price (as defined in the Amendment Agreement) in accordance with the Amendment Agreement; and
- (vii) adding back any EBITDA loss generated by new projects or developments not considered in the current business plan (such as the launching of new geographies, products or segments); and
- (viii) adding back the costs of any of certain defined actions undertaken by the Mondo Group as set out in the Sale and Purchase Agreement, primarily relating to transactions taken out of the ordinary course of business,

it being provided that all items necessary to compute EBITDA and the Earn-Out Adjusted EBITDA (to the extent the relevant information is available therein) shall be derived from the relevant Earn-out Accounts.

Specifically, the terms of the Earn-Out Consideration state that if Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo and its subsidiaries for:

- Year 1 is greater than €40.5 million, then the Seller will be entitled to the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 1 is greater than €40.5 million, provided that in no circumstances shall the Seller's maximum entitlement for Year 1 exceed €2.6 million;
- Year 2 is greater than €44.0 million, then the Seller will be entitled to "A", provided that in no circumstances shall the Seller's maximum entitlement for Year 2 exceed €21.6 million, where "A" is equal to ("B" x 5) and "B" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is greater than €44.0 million (subject to a reduction in the amount payable by the amount by which Earn-Out Adjusted EBITDA for Year 1 was less than €40.5 million (if applicable)); and
- Year 3 is equal to or greater than €50.0 million, then the Seller will be entitled to "C", provided that in no circumstances shall the Seller's maximum entitlement exceed €21.6 million, where "C" is equal to ("D" x 5) and "D" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €50.0 million (subject to a reduction in the amount payable by "E" where "E" is the amount by which Earn-Out Adjusted EBITDA for Year 2 was less than €44.0 million (if applicable)).

A payment of up to €8.6 million (as part of the overall maximum of €45.7 million) will also be payable as part of the Earn-Out Consideration where Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than €48.3 million and Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €54.3 million. Such amount payable will be the lesser of:

- (i) "G" where "G" is equal to $(("H" \div 2) \times 5)$ and "H" being the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than €48.3 million; and
- (ii) "I" where "I" is equal to $(("J" \times 5))$ and "J" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €54.3 million.

The consideration payable is also subject to locked box adjustments, which will lead to the reduction of the purchase price by the value of any leakage, and adjustments in connection with two disputes between Mondo's Finnish subsidiaries and the Finnish tax authorities.

(b) Conditions and termination

Completion of the Acquisition is conditional upon:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Elementis Shareholders passing an ordinary resolution at a general meeting; and
- the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained.

If the Conditions have not been satisfied or waived by 31 December 2018, the Sale and Purchase Agreement may be terminated by either the Seller or the Purchaser on written notice to the other. The approval of the anti-trust authorities in Brazil and Germany was obtained on 8 August 2018 and 25 July 2018, respectively.

In the event that the General Meeting has not taken place by midnight on the Shareholder Approval Longstop Date (being 11 October 2018), the Seller may unilaterally terminate the Sale and Purchase Agreement or reset the Shareholder Approval Longstop Date at the Extended Shareholder Approval Longstop Date, being a date which is consistent with the required duration to pass the Resolution and is no later than eight weeks after the Shareholder Approval Longstop Date. If the Resolution has not been passed by midnight on the Extended Shareholder Approval Longstop Date, or if the Resolution has been voted on but not duly passed by Elementis Shareholders, then either of the Seller or the Purchaser shall be entitled to terminate the Sale and Purchase Agreement with immediate effect by written notice to the other. If the Sale and Purchase Agreement is terminated in any of the circumstances in this paragraph then the Purchaser shall pay to the Seller a termination fee of \$17.1 million within two business days of termination of the Sale and Purchase Agreement.

(c) Warranties, limitations on liability and indemnification

The Purchaser and the Seller will each give fundamental title and capacity warranties.

The time limit for the notification of claims under the Sale and Purchase Agreement will be eighteen months from Completion. The aggregate liability of the Seller in respect of all claims under the Sale and Purchase Agreement shall not exceed the initial cash consideration paid to the Seller in respect of the Mondo shares plus the portion of the escrow amount actually released to the Seller.

The Seller has indemnified the Purchaser for an amount equal to the amount of damages suffered or incurred by the Purchaser or the Mondo Group as a direct consequence of any breach of the Seller's warranties, subject to certain limitations and an obligation on the Purchaser to take all reasonable steps to mitigate the Seller's liability.

(d) Covenants until Completion

The Seller has undertaken, within the limit of its authority as shareholder of Mondo, to instruct and use all reasonable efforts to ensure that the Mondo Group will be run in the ordinary course of business and consistent with past practice. The Seller has also undertaken to ensure that the Mondo Group will comply with a number of specific covenants which further limit the extent to which the Mondo Group can make or incur unusual or exceptional payments or obligations.

5.1.3 Warranty Agreement

On 13 August 2018, the Warrantors entered into the Warranty Agreement with Elementis and the Purchaser. Pursuant to the Warranty Agreement, the Warrantors give customary business warranties subject to specific limitations of liability. The Warranty Agreement is governed by Dutch law and the key terms are summarised below:

(a) Warranties

The Warrantors are engaged in the management of the operations of Mondo. Pursuant to the Warranty Agreement, the Warrantors individually and not jointly give certain business warranties to Elementis and the Purchaser, concerning the business, constitution and assets of Mondo and companies in the Mondo Group. All warranties given by the Warrantors are given only on the basis of the Warrantors' knowledge and awareness and after having made due enquiry of certain identified persons within the Mondo Group. The warranties are qualified by matters disclosed in a disclosure schedule and the virtual data room (including vendor due diligence reports).

(b) Limitations on liability

The warranties given pursuant to the Warranty Agreement are subject to limitations and exclusions. Save in the event of fraud, the maximum aggregate liability of the Warrantors for claims under the warranties will be limited to \$1. The time limit for claims (other than tax claims) under the Warranty Agreement will be eighteen months from Completion. The time limit for tax claims will be the expiry of the statute of limitation relating to the applicable category of tax.

No claim can be pursued under the Warranty Agreement unless the amount of any individual claim exceeds \$0.5 million and the aggregate of all such claims exceeds \$5 million.

The Warranty Agreement contains conduct of claims provisions in respect of any fact, matter or circumstance that may give rise to a claim against the Warrantors thereunder. The Purchaser shall ensure that all reasonable steps are taken and all reasonable assistance is given to avoid or mitigate the Warrantors' liability.

(c) Warranty and Indemnity Insurance

The Elementis Group intends to obtain warranty and indemnity insurance in respect of the warranties contained in the Sale and Purchase Agreement and the Warranty Agreement, subject to certain specified limitations agreed with the relevant insurer. The insurance will also cover certain tax liabilities arising in Mondo or its subsidiaries in relation to the period before Completion.

5.1.4 Underwriting Agreement

On 11 September 2018, the Company entered into the Underwriting Agreement with UBS and HSBC (the “**Underwriters**”) which sets out the terms on which the Company has appointed: (i) UBS as Joint Global Coordinator, Joint Bookrunner, Underwriter and sole sponsor in relation to the Rights Issue and the Acquisition; and (ii) HSBC as Joint Global Coordinator, Joint Bookrunner and Underwriter in relation to the Rights Issue.

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers, or failing which, the Underwriters will themselves severally subscribe for their proportionate share of New Ordinary Shares not taken up under the Rights Issue or will procure sub-underwriters to do so, in each case, at the Rights Issue Price.

In consideration of the services of the Underwriters under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated, the Company has agreed to pay a commission at such times and in such proportions as between the Underwriters as contained in the Underwriting Agreement. The Company shall pay the costs and expenses of, or in connection with, the Rights Issue on the basis contained in the Underwriting Agreement.

The Company has given certain customary representations and warranties to the Underwriters as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to the Elementis Group, the Mondo Group and the Enlarged Group. In addition, the Company has given customary indemnities to the Underwriters and certain indemnified persons connected with each of them.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain customary conditions being satisfied, including, amongst others:

- the fulfilment by the Company of certain of its obligations under the Underwriting Agreement by the times and dates specified in the Underwriting Agreement;
- the warranties, representations and undertakings given by the Company in the Underwriting Agreement being true, accurate and not misleading on and as of the date of the Underwriting Agreement, the date of this document, the date of any supplementary prospectus and the date of Admission; and
- Admission having occurred by not later than 8.00 a.m. on 4 October 2018 (or such later time and/or date as the Company may agree with the Underwriters but being no later than 18 October 2018).

In certain circumstances, prior to the Admission of the Nil Paid Rights, including where any of the conditions are not satisfied (or, where capable of being waived, are waived by the Underwriters) or shall have become incapable of being satisfied by the required time and date, the Underwriters may terminate the Underwriting Agreement. The Underwriting Agreement is not capable of termination after Admission.

The Company has given certain undertakings including an undertaking that it will not, without the prior written consent of the Underwriters, undertake certain actions in relation to its share capital, including issuing further Ordinary Shares, for a period of 90 days from Completion, subject to certain exceptions, including the issue of the New Ordinary Shares.

5.1.5 Facilities Agreement

On 11 September 2018, Elementis Holdings Limited and Elementis US Holdings Inc. as original borrowers and original guarantors and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc. and Elementis SRL, Inc. as original guarantors entered into the Facilities Agreement with Commerzbank Finance & Covered Bond S.A. as agent and HSBC as arranger, bookrunner and original lender. Under the Facilities Agreement, the Term Facility, consisting of a \$400 million term loan facility (which is split into a \$200 million US dollar denominated tranche and a €172 million euro denominated tranche) (the “**Term Facility**”), and a \$375 million multi-currency

revolving credit facility (the “**Revolving Facility**” and together with the Term Facility, the “**New Debt Facilities**”), are available for drawing by the original borrowers. HSBC will arrange for the New Debt Facilities to be syndicated to a number of financial institutions.

The New Debt Facilities are unsecured but are otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

The Term Facility is to be applied for the following purposes: (i) financing the consideration payable for the Acquisition; (ii) financing fees, costs and expenses in connection with the Acquisition and the Facilities Agreement; (iii) refinancing certain existing indebtedness of the Elementis Group, Mondo and its subsidiaries. The Revolving Facility is to be applied towards the same purposes as the Term Facility but may also be drawn for general corporate and working capital purposes of the Elementis Group, including the financing of permitted acquisitions.

The New Debt Facilities mature on the date falling 60 months after the date of the Facilities Agreement, with the maturity date of the Revolving Facility subject to an extension of up to two years, which must be agreed with each lender. The New Debt Facilities are available for drawing in US dollars, euros, pounds sterling and other currencies (subject to certain conditions) from the date of the Facilities Agreement to: (i) in relation to the Term Facility, the last day of the “Certain Funds Period” (as defined in the Facilities Agreement); and (ii) in relation to the Revolving Facility, one month prior to its maturity date. The last day of the Certain Funds Period is the earlier of the date for completion of the Acquisition, the date the Sale and Purchase Agreement is terminated and 31 December 2018.

The New Debt Facilities have been provided on a certain funds basis. This means that provided that certain key conditions have been satisfied (including receipt of the subscription proceeds from the Rights Issue or evidence that the UKLA has admitted the nil paid rights pursuant to the Rights Issue), the lenders are obliged to participate in loans requested during the availability periods unless: (i) there is a “Certain Funds Default” (as defined in the Facilities Agreement relating to a Borrower, which includes non-payment, misrepresentation of a major representation, breach of negative pledge or disposals restrictions, insolvency of an obligor and certain other major defaults); (ii) a change of control of Elementis occurs; or (iii) it becomes unlawful for the lender to make the loan or for a borrower to comply with its obligations under the Facilities Agreement.

The Facilities Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenants comprise a leverage test and an interest cover test. Under the leverage test, the net borrowings of the Elementis Group must not exceed: (i) 3.75 times the EBITDA of the Elementis Group (or 4.75 times if the Equity Bridge (as defined in paragraph 5.1.6 of this Part VI) has been drawn in full and is outstanding) in respect of each measurement period falling on or before the date falling 12 months after Completion; and (ii) 3.25 times the EBITDA of the Elementis Group in respect of each measurement period thereafter. Under the interest cover test, the ratio of consolidated operating profits before net interest expense and tax of the Elementis Group to net interest expense of the Elementis Group must not be less than 3:1 at the end of each measurement period.

The New Debt Facilities may be prepaid without premium or penalty but subject to breakage costs (if applicable). The amount available under the New Debt Facilities is subject to reduction in accordance with the Facilities Agreement including, but not limited to, mandatory prepayment from the proceeds of any financing raised from the international or domestic debt capital markets.

The interest rate charged on loans made under the New Debt Facilities will be equal to the aggregate of an appropriate benchmark rate and the applicable margin. The initial margins are 2.50% per annum for the Term Facility and 2.25% per annum for the Revolving Facility, with the margin ratcheting between 3.00% and 1.25% per annum for the Term Facility and 2.75% and 1.00% per annum for the Revolving Facility, in accordance with the total leverage of the Elementis Group.

Certain fees are payable to the finance parties in connection with the New Debt Facilities, including upfront fees, syndication fees, a ticking fee, an ongoing commitment fee for the Term Facility, an ongoing utilisation fee for the Revolving Facility and an annual agency fee. The Facilities Agreement is governed by the laws of England and Wales.

5.1.6 Equity Bridge Agreement

On 11 September 2018, Elementis Holdings Limited as original borrower and original guarantor and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc., Elementis US Holdings Inc. and Elementis SRL, Inc. as original guarantors entered into the Equity Bridge Agreement with HSBC, under which a term loan for \$230 million (the “**Equity Bridge**”) is available for drawing by the original borrower.

The Equity Bridge is being provided to bridge any funding gap between admission by the UKLA of the nil paid rights the subject of the Rights Issue and receipt of the subscription proceeds from the Rights Issue. It is available to be drawn in US dollars and euros for the same purposes as the Term Facility and for the period between the date of the Equity Bridge Agreement and the last day of the Certain Funds Period (as defined in the Equity Bridge Agreement). The maturity date is 6 months, subject to a 6-month extension at the discretion of the borrower.

The Equity Bridge is unsecured but is otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

Like the New Debt Facilities, the Equity Bridge is also provided on a certain funds basis and is subject to the same representations, undertakings, covenants and events of default as the New Debt Facilities. One of the conditions to utilisation is that the New Debt Facilities have or will be utilised to fund the Acquisition.

The Equity Bridge may be prepaid without premium or penalty but subject to breakage costs (if applicable). The amount available under the Equity Bridge is subject to reduction in accordance with the Equity Bridge Facility including, but not limited to, mandatory prepayment from the subscription proceeds of the Rights Issue.

The interest rate charged under the Equity Bridge will be equal to the aggregate of London Inter-Bank Offer Rate and the applicable margin, with the margin initially at 1.25% per annum and increasing over time up to 3.75%.

Certain fees are payable to the finance parties in connection with the Equity Bridge, including an upfront fee, a closing fee and a ticking fee. The Equity Bridge Agreement is governed by the laws of England and Wales.

5.1.7 Sale and Purchase Agreement in respect of the acquisition of SummitReheis

On 9 February 2017 the Company entered into a sale and purchase agreement to acquire SRLH Holdings, Inc. (“**SummitReheis**”) from SRLH Investor Holdings, LLC, an affiliate of One Rock Capital Partners, LLC. The key terms of the agreement are summarised below.

Structure and consideration

Pursuant to the sale and purchase agreement, the Company acquired SummitReheis on a cash free debt free basis for cash consideration of \$360.0 million, subject to certain adjustments for indebtedness and working capital at completion paid under an escrow mechanism.

The sale and purchase agreement contained conduct of business provisions to govern arrangements between the parties for the period between signing and completion, including cooperation provisions in connection with the relevant governmental approvals and filings.

As part of the transaction certain key employees of SummitReheis entered into employee retention letters with the Company, and One Rock Capital Partners entered into a non-solicitation agreement in relation to employees of SummitReheis and its subsidiaries.

Conditions

Completion of the acquisition was conditional on the satisfaction of the requisite waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and execution of the Escrow Agreement. The acquisition completed on 24 March 2017.

Warranties, limitations on liability and indemnities

SummitReheis gave fundamental warranties in respect of organisation, capitalisation and authorisation, as well as certain business warranties. All claims in respect of pre-closing covenants, representations and warranties were subject to a 12 month limitation period from closing. SRLH Investor Holdings, LLC gave indemnities for breach of certain warranties that were capped at £1.5 million.

5.1.8 Sale and Purchase Agreement in respect of the sale of the Elementis Group's surfactants business

On 21 February 2018, Elementis B.V., a wholly-owned subsidiary of Elementis, entered into a sale and purchase agreement to sell its Surfactants business located in Delden, The Netherlands to KLK Chemicals Holding Netherlands B.V., a subsidiary of Kolb Distribution AG ("**Kolb**"). The key terms of the agreement are defined below.

Structure and consideration

The cash consideration payable was €39.0 million, subject to working capital adjustments at completion. Completion was conditional on completion of employee consultation processes, obtaining the requisite regulatory approvals and other customary closing conditions. Completion occurred on 28 February 2018 upon receipt of the necessary regulatory approvals.

Warranties, limitations on liability and indemnities

Elementis B.V. gave fundamental warranties in respect of due incorporation and title and capacity, as well as certain business and tax warranties.

Liability was capped at the purchase price for breaches of fundamental and tax warranties and 20% of the purchase price for the business warranties. The time limit for bringing claims was 10 years for fundamental warranties.

Elementis B.V. gave certain specific indemnities in connection with litigation proceedings that were on-going at the time of the sale.

5.2 Mondo material contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Mondo or any member of the Mondo Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Mondo Group which contains any provision under which any member of the Mondo Group has any obligation or entitlement which is material to the Mondo Group as at the date of this document:

5.2.1 Senior Facilities Agreement

On 26 April 2017, Mondo Minerals Holding B.V. as parent and guarantor entered into a facilities agreement (the "**Senior Facilities Agreement**") with, among others, Hayfin DLF II Luxco 2 S.à r.l and BNP Paribas Fortis SA/NV as arrangers, Hayfin Services LLP as agent and security agent and certain subsidiaries of Mondo Minerals Holding B.V. as borrowers and guarantors. Under the Senior Facilities Agreement, a €185 million term loan facility (the "**Mondo Term Facility**") and a €12.5 million multicurrency revolving credit facility (the "**Mondo Revolving Facility**", and together with the Mondo Term Facility, the "**Mondo Debt Facilities**") were made available for drawing by the relevant borrowers.

The Mondo Term Facility is to be applied towards refinancing certain existing indebtedness of the Mondo Group. The Mondo Revolving Facility is to be applied towards the general corporate and working capital purposes of the Mondo Group arising in the ordinary course of business.

The Mondo Term Facility matures on the date falling seven years after the date of first utilisation of the Mondo Term Facility, and the Mondo Revolving Facility matures on the date falling six years after the date of first utilisation of the Mondo Term Facility. The Mondo Term Facility is available for drawing in euros and the Mondo Revolving Facility is available for drawing in euros, US dollars, pounds sterling and other currencies (subject to certain conditions) once the Mondo Term Facility has been, or simultaneously will be, utilised in full.

The Senior Facilities Agreement contains representations, undertakings, covenants, indemnities and events of default with certain permitted exceptions and materiality thresholds. The financial covenants comprise a leverage test and a minimum EBITDA test. Under the leverage test, the net borrowings of the Mondo Group must not exceed: (i) 7.50 times the Consolidated Pro Forma EBITDA (defined in the Senior Facilities Agreement as EBITDA plus the pro forma EBITDA generated by permitted acquisitions and permitted joint ventures during the relevant period, less the EBITDA generated by permitted disposals during the relevant period) of the Mondo Group in respect of each quarter in the 12-month measurement period ending 31 March 2018; (ii) 7.25 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter in the 12-month period ending 31 March 2019; (iii) 7.125 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter in the 12-month period ending 31 March 2020; and (iv) 7.0 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter thereafter. Under the minimum EBITDA test, the Consolidated Pro Forma EBITDA must not be less than €24 million in respect of each quarterly measurement period.

Following a non-call period of 12 months from the date of first utilisation during which a make-whole premium is payable on certain prepayments, the Mondo Debt Facilities may be prepaid without premium or penalty but subject to breakage costs (if applicable). The Mondo Debt Facilities are subject to mandatory prepayment in certain circumstances, including, among others, an initial public offering or a change of control.

The interest rate charged on loans under the Mondo Debt Facilities is the percentage rate per annum which is aggregate of the applicable margin and EURIBOR (or, in relation to any loan not in euros, LIBOR). The margin applicable to loans under the Mondo Term Facility will be 5.00% per annum plus an additional PIK (payment in kind) margin (ratcheting between 1.75% and 0.75% per annum in certain circumstances). The margin applicable to loans under the Mondo Revolving Facility is 4.00% per annum.

Certain fees have been paid and/or are payable to the finance parties in connection with the Mondo Debt Facilities, including a commitment fee and an arrangement fee. The Senior Facilities Agreement is governed by the laws of England and Wales.

6. Litigation

6.1 *Elementis litigation*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company and/or the Elementis Group's financial position or profitability.

6.2 *Mondo litigation*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on Mondo and/or the Mondo Group's financial position or profitability.

7. Consents

Deloitte has given and not withdrawn its written consent to the inclusion in this Circular of its report on the Unaudited Pro Forma Financial Information in Section B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) in the form and context in which it appears.

Evercore has given and not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.

UBS has given and not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.

HSBC has given and not withdrawn its written consent to the issue of this Circular with the inclusion herein of the references to its name in the form and context in which they appear.

8. Documents on Display

Copies of the following documents will be available for inspection at the Company's registered office at Caroline House, 55-57 High Holborn, London, WC1V 6DX, United Kingdom during normal business hours on Monday to Friday each week (public holidays excepted) for a period from and including the date of this Circular until and including the date of the General Meeting:

- the Signing Protocol;
- the Sale and Purchase Agreement;
- the Warranty Agreement;
- Memorandum of Association and the Articles of Association;
- the annual report and audited consolidated financial information for the Elementis Group in respect of the three years ended 31 December 2017, 2016 and 2015;
- the audited consolidated financial information for the Mondo Group in respect of the six months ended 30 June 2018 and the three years ended 31 December 2017, 2016 and 2015;
- the report of Deloitte on the Unaudited Pro Forma Financial Information set out in Section B of Part V (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*);
- the Competent Person's Report;
- copies of the letters of consent of Evercore, UBS and HSBC referred to in paragraph 7 of this Part VI;
- the Prospectus; and
- this Circular.

PART VII
DEFINITIONS

The following definitions shall apply throughout this Circular unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the entire issued share capital of Mondo by the Elementis Group
“Admission”	the admission of the New Ordinary Shares, nil paid, to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Amendment Agreement”	the amendment agreement dated 11 September 2018 between the Seller, the Purchaser and Elementis for the amendment to the terms of the Sale and Purchase Agreement
“Articles of Association” or “Articles”	the articles of association of the Company
“Associated Company”	shall have the same meaning as in Section 256 of the Companies Act 2006
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in London
“CAGR”	compound annual growth rate
“Circular”	this document
“Companies Act”	UK Companies Act 2006, as amended
“Company” or “Elementis”	Elementis plc, a company registered in England and Wales with registered number 03299608
“Competent Person’s Report”	the Competent Person’s Report by SRK Consulting (UK) Limited set out in Appendix 2 of the Prospectus
“Completion”	Completion of the Acquisition
“Conditions”	the conditions to the implementation of the Acquisition which are set out in this Circular
“CREST”	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
“CREST Proxy Instruction”	has the meaning given to it in the Notice of General Meeting appended to this Circular
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Directors”	whose names are set out at the beginning of Part I (<i>Letter from the Chairman</i>) of this Circular
“Disclosure Guidance and Transparency Rules”	the disclosure rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time

“Earn-Out Adjusted EBITDA”	the EBITDA thresholds for the Earn-Out Consideration, as defined in the Sale and Purchase Agreement
“Earn-Out Consideration”	the earn-out consideration payable to the Seller in accordance with the terms of the Sale and Purchase Agreement, subject to the achievement of certain performance targets as set out in the Sale and Purchase Agreement
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“EEA”	the European Economic Area
“EEA State”	a state which is a contracting party to the agreement on the European Economic Area signed on 2 May 1992, as it has effect for the time being
“Elementis Annual Report 2015”	The annual report of the Elementis Group published in 2015
“Elementis Annual Report 2016”	The annual report of the Elementis Group published in 2016
“Elementis Annual Report 2017”	The annual report of the Elementis Group published in 2017
“Elementis Group”	Elementis plc and its subsidiary undertakings (as defined in the Companies Act), from time to time
“Enlarged Group”	the Elementis Group plus the Mondo Group following Completion or, if the Acquisition does not complete, the Elementis Group (as the context requires)
“Equiniti”	Equiniti Limited
“Equity Bridge”	a term loan for \$230 million made available to the Borrower pursuant to the Equity Bridge Agreement
“Equity Bridge Agreement”	an equity bridge facility agreement dated 11 September 2018 between Elementis Holdings Limited as original borrower and original guarantor and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc., Elementis US Holdings Inc. and Elementis SRL, Inc. as original guarantors, and HSBC Bank plc, as described in paragraph 5.1.6 of Part VI (<i>Additional Information</i>) of this Circular
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excluded Territories”	Australia, Canada, New Zealand, Japan, South Africa and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation
“Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this Circular
“Extended Shareholder Approval Longstop Date”	if the Resolution has not been passed by the Shareholder Approval Longstop Date, the date reset by the Seller consistent with the required duration to pass the Resolution and which is no later than eight weeks after the Shareholder Approval Longstop Date
“Ex-Rights Date”	the date on which the New Ordinary Shares are expected to commence trading ex-Rights, being 8.00 a.m. on 4 October 2018

“Facilities Agreement”	a facilities agreement dated 11 September 2018 entered into between, amongst others, Elementis Holdings Limited and Elementis US Holdings Inc. as original borrowers and original guarantors, Elementis plc, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc. and Elementis SRL, Inc. as original guarantors, and Commerzbank Finance & Covered Bond S.A. as agent, as described in paragraph 5.1.5 of Part VI (<i>Additional Information</i>) of this Circular
“FCA”	the Financial Conduct Authority
“Form of Proxy”	the personalised form of proxy accompanying this Circular for use by the Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Fully Paid Rights”	rights to acquire the New Ordinary Shares, fully paid.
“General Meeting”	the general meeting of the Company proposed to be held at The Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX at 10.00 a.m. on 3 October 2018 to approve the Resolution, the notice of which is contained in this Circular, or any adjournment thereof
“Historical Financial Information”	together the Historical Financial Information relating to the Elementis Group and the Historical Financial Information relating to the Mondo Group set out in Part XVIII (<i>Historical Financial Information Relating to the Elementis Group</i>) and Part XIX (<i>Historical Financial Information Relating to the Mondo Group</i>) of the Prospectus
“HMRC”	Her Majesty’s Revenue and Customs
“HSBC”	HSBC Bank plc
“IFRS”	International Financial Reporting Standards as adopted by the European Commission for use in the European Union
“ISIN”	International Security Identification Number
“Joint Bookrunners”	UBS and HSBC
“Joint Global Coordinators”	UBS and HSBC
“Latest Practicable Date”	6 September 2018, being the latest practicable date prior to publication of this Circular
“Listing Rules”	the listing rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Longstop Date”	31 December 2018
“Memorandum of Association”	the memorandum of association of the Company
“Member States”	the Member States of the European Union from time to time
“Mondo”	Mondo Minerals Holding B.V.
“Mondo Group”	Mondo and its subsidiary undertakings (as defined in the Companies Act), from time to time

“Money Laundering Regulations”	the Money Laundering Regulations 2007, as amended from time to time
“New Debt Facilities”	the Term Facility and the Revolving Facility
“New Ordinary Shares”	the new Ordinary Shares to be issued by the Company pursuant to the Rights Issue
“Nil Paid Rights”	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue
“Notice of General Meeting”	the notice of a General Meeting of the Company appended to this Circular
“Official List”	the Official List of the FCA
“Ordinary Shares”	the ordinary shares with a nominal value of 5 pence each in the share capital of the Company
“Overseas Shareholders”	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
“PRA”	the Prudential Regulation Authority
“Pro Forma Financial Information”	unaudited pro forma statement of net assets and pro forma statement of profit and loss in relation to the Enlarged Group
“Prospectus”	the prospectus published by Elementis on 11 September 2018
“Prospectus Directive”	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC to the extent implemented in the relevant EEA state) and includes any relevant implementing measures in each EEA state that has implemented Directive 2003/71/EC
“Prospectus Directive Regulation”	Regulation number 809/2004 of the European Commission
“Prospectus Rules”	the prospectus rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
“Provisional Allotment Letter”	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders
“Purchaser”	Elementis Holdings Limited
“QIBs”	“qualified institutional buyers” as defined in Rule 144A
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in uncertified form
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in certified form
“Qualifying Shareholders”	holders of Ordinary Shares who are on the Company’s register of members at the Record Date
“Receiving Agent”	Equiniti Limited, or any other Receiving Agent appointed by the Company from time to time

“Record Date”	6.00 p.m. on 1 October 2018
“Register”	means the registers of members of the Company
“Registrar”	Equiniti Limited
“Regulation S”	Regulation S under the Securities Act
“Regulatory Information Service”	a regulatory information service that is approved by the FCA and that is on the list of regulatory information services maintained by the FCA
“Remuneration Committee”	the remuneration committee of by the Board
“Resolution”	the resolution to be proposed at the General Meeting in connection with the Acquisition
“Revolving Facility”	a \$375 million multi-currency revolving credit facility made available under the Facilities Agreement
“Rights”	the Nil Paid Rights or the Fully Paid Rights (or both) as the context may require
“Rights Issue”	the offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares on the terms and conditions set out in this Circular and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
“Rights Issue Price” or “Issue Price”	152.0 pence per New Ordinary Share
“Rule 144A”	Rule 144A under the Securities Act
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 August 2018 between the Seller, the Purchaser and Elementis for the acquisition of the entire issued share capital of Mondo and amended by the Amendment Agreement, as described in paragraph 5.1.2 of Part VI (<i>Additional Information</i>) of this Circular
“SEC”	the US Securities and Exchange Commission
“Securities Act”	the US Securities Act of 1933
“Seller”	Advent Mondo (Luxembourg) S.à r.l.
“Shareholder Approval Longstop Date”	the later of (i) 11 October 2018 and (ii) 25 days from the execution of the Sale and Purchase Agreement in accordance with the Signing Protocol
“Shareholders”	holders of the Ordinary Shares from time to time
“Signing Protocol”	the signing protocol dated 29 June 2018 between the Seller, the Purchaser, Elementis and the Warrantors in connection with the proposed acquisition of Mondo, as described in paragraph 5.1.1 of Part VI (<i>Additional Information</i>) of this Circular

“SRK”	SRK Consulting (UK) Limited
“Term Facility”	a \$400 million term loan facility (which is split into a \$200 million US dollar denominated tranche and a €172 million euro denominated tranche) made available under the Facilities Agreement
“Transparency Rules”	the transparency rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
“Transactions”	together, the Rights Issue, New Debt Facilities and Acquisition
“UBS”	UBS Limited
“UK Corporate Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012
“UK Listing Authority” or “UKLA”	the FCA when it is exercising its powers under Part 6 of FSMA
“Underwriters”	UBS and HSBC
“Underwriting Agreement”	the underwriting and sponsor agreement dated 11 September 2018 between the Company and the Underwriters, as described in paragraph 5.1.4 of Part VI (<i>Additional Information</i>) of this Circular
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“Warrantors”	the CEO, CFO and COO of Mondo
“Warranty Agreement”	the warranty agreement entered into on 13 August 2018 between the CEO, CFO and COO of Mondo, as described in paragraph 5.1.3 of Part VI (<i>Additional Information</i>) of this Circular
“Year 1”	the financial year of Mondo ending 31 December 2018
“Year 2”	the financial year of Mondo ending 31 December 2019
“Year 3”	the financial year of Mondo ending 31 December 2020

PART VIII
NOTICE OF GENERAL MEETING
ELEMENTIS PLC
(the “Company”)
NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at 10.00 a.m. on 3 October 2018 at the Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX to consider and, if thought fit, pass the following Resolution. The Resolution will be proposed as an ordinary resolution.

ORDINARY RESOLUTION

THAT the proposed acquisition by Elementis Holdings Limited, a wholly owned subsidiary of the Company, of the entire issued share capital of Mondo Minerals Holding B.V. from Advent Mondo (Luxembourg) S.à r.l. pursuant to the terms and subject to the conditions set out in the Sale and Purchase Agreement (as defined in the Circular to which this Notice of General Meeting is attached) and all associated and ancillary agreements contemplated by the Sale and Purchase Agreement, be and are hereby approved and that the Directors (or a duly authorised committee thereof) be and are hereby authorised to take all such steps as may be necessary or desirable in relation thereto and to implement the same with such modifications, variations, revisions or amendments (providing such modifications, variations or amendment are not of a material nature) as they shall deem necessary or desirable.

BY ORDER OF THE BOARD

Laura Higgins

Company Secretary
10 September 2018

Registered office: Caroline House
55-57 High Holborn
London WC1V 6DX
United Kingdom

Registered in: England and Wales
Registered number: 03299608

NOTES TO THE NOTICE OF GENERAL MEETING

1. To be entitled to attend, speak and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), a member of the Company must be registered on the Register of Members as the holder of ordinary shares by 6.30 p.m. on 1 October 2018, or, in the case of an adjournment, by 6.30 p.m. on the day two business days immediately preceding the day fixed for the adjourned meeting (the “**Specified Time**”). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him/her, as his/her proxy to exercise all or any of his/her rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company.
3. Any corporation which is a member may appoint one or more corporate representatives who may exercise on its behalf all of its rights as a member provided that they do not do so in relation to the same shares.
4. Any or all joint holders of shares, registered on the Register of Members at the Specified Time, may attend the General Meeting, although only one holder may vote in person or by proxy. The vote or proxy appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of joint holders appear in the Company’s Register of Members.
5. A proxy form, which covers the resolution to be proposed at the General Meeting, is provided for use by holders of ordinary shares and should be read in conjunction with the Notice of Meeting and these notes. To be valid a proxy form must be received by post or (during normal business hours only) by hand at Equiniti Limited, Aspect House, Lancing, West Sussex BN99 6DA by 10.00 a.m. on 1 October 2018 or, in the case of an adjournment, by the time 48 hours (excluding non-working days) before the time appointed for the adjourned meeting. Completing and returning a proxy form, other such instrument (including the appointment of a proxy electronically) or any CREST proxy instruction (as described in paragraph 10 below) will not prevent a member from attending in person and voting at the meeting should he/she so wish.
6. Shareholders wishing to appoint a proxy and register their proxy votes electronically should visit the website, www.sharevote.co.uk. The on-screen instructions will give details on how to appoint a proxy and submit proxy voting instructions. Electronic proxy appointments and voting instructions must be received by no later than 10.00 a.m. on 1 October 2018 (or 48 hours excluding non-working days before an adjourned meeting) in order to be valid. Shareholders may not use any other electronic address or telephone number, whether found on this circular and notice of Meeting, or in the annual report or on any Proxy Form or the Company’s website, for the purposes of submitting voting instructions or appointing proxies. The only electronic address accepted for this stated purpose is the one at the website, www.sharevote.co.uk.
7. Any person to whom this Notice of Meeting is sent who is currently nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006 (a “**Nominated Person**”) may have a right under an agreement between him/her and such member to be appointed, or to have someone else appointed, as a proxy for the meeting. If he/she has no such right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 2 above regarding the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
8. As at 7 September 2018 (the latest practicable date prior to the printing of this Circular) (i) the Company’s issued share capital consisted of 464,179,318 ordinary shares with a nominal value of 5 pence each, all carrying one vote each, and (ii) the total voting rights in the Company were 464,179,318.
9. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in ‘the CREST voting service’ section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid,

the appropriate CREST message (a “**CREST Proxy Appointment Instruction**”) must be properly authenticated in accordance with the specifications of CREST’s operator, Euroclear UK & Ireland Limited (“**Euroclear**”), and must contain all the relevant information required by the CREST Manual (www.euroclear.com). To be valid the message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by Equiniti Limited (ID RA19), as the Company’s ‘issuer’s agent’, by 10.00 a.m. on 1 October 2018. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message’s receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer’s agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner.

10. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST Proxy Appointment Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on ‘Practical limitations of the system’. In certain circumstances the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST Proxy Appointment Instruction as invalid.
11. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this Notice of Meeting will be available on the Company’s website at www.elementisplc.com.
12. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the meeting, except in certain circumstances, including (i) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered; or (ii) if to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; or (iii) if the answer has already been given on a website in the form of an answer to a question.
13. Voting on the Resolution shall be conducted by way of a poll as this is a more transparent way of voting as member votes are counted according to number of shares held.

